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THE ROLE OF INTERNATIONAL TRADE IN THE
ECONOMIC DEVELOPMENT OF JAMAICA, 1830's-1960

by

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The undersigned certify that they have read,
and recommend to the Faculty of Graduate Studies for
acceptance, a thesis entitled THE ROLE OF INTERNATIONAL
TRADE IN THE ECONOMIC DEVELOPMENT OF JAMAICA, 1830's - 1960,
submitted by Carlyle Lennox Mitchell, in partial fulfilment
of the requirements for the degree of Master of Arts.

ABSTRACT

This thesis endeavours to look into the specific role that international trade has played in the economic development of Jamaica for well over one hundred years since the emancipation of slavery. Before emancipation, the island owed its colonization and development mainly to its trading potential which proved great and Jamaica became rich, famous and a highly regarded and profitable acquisition of Great Britain. Emancipation and a series of adverse events afterwards changed all that. These did not, however, alter its dependence on trade for its development.

The thesis is divided into three main parts. The first part is theoretical and examines in general the role of international trade in the economic development of small economies. This is analysed in chapter one. Part two, which is covered by chapters two, three and four, is historical and traces the growth of the island's trading sector from emancipation to 1960 together with changes in the relative magnitudes of the economy. Part three endeavours to link part one, the theoretical aspect of trade and growth, with part two, the actual performance of the economy. This is done by means of a model of trade and growth which was developed in part one. Just how closely the actual performance conformed to the theoretical implications of the model is the subject of the final chapter, chapter five.

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PART I

THE ROLE OF INTERNATIONAL TRADE IN THE ECONOMIC
DEVELOPMENT OF SMALL ECONOMIES

CHAPTER I

INTERNATIONAL TRADE IN THE ECONOMIC DEVELOPMENT OF SMALL ECONOMIES

This chapter gives an analysis of the theoretical implications of international trade in the economic development of small economies. This will be developed in five main sections as follows: section A will define the terms used throughout the chapter; section B will deal with the characteristics of small economies and their implications on trade and the economic development of these economies; section C will deal with the developmental problems due to trade; section D will develop a model of trade and growth; and finally section E will be a short conclusion.

At the onset, it should be noted that throughout this chapter, and this thesis as well, I shall abstract from any balance-of-payments problems that will most probably be experienced by economies in their process of development. I take this liberty because my analysis will be a long run one and so it can be taken for granted that the economies under consideration, unless where otherwise stated, have sufficient time to solve any balance-of-payments difficulties effectively.

A. Definition of Terms

I shall be dealing throughout this chapter with underdeveloped small economies in a process of development through trade either with the developed or other underdeveloped economies. The term "underdeveloped" is a generic one covering a multitude of aspects and unless it is carefully defined it can be extremely nebulous. It has attained some notoriety because considerable attention has been given to it in the economic literature of late

and there seems to be as many definitions of it as there are writers.

Jacob Viner has been careful to analyse some earlier definitions before giving us his own. He defines an underdeveloped country as one:

Which has good potential prospects of using more capital or more labor or more available natural resources, or all of these, to support its present population on a higher level of living, or, if its per capita income is already high, to support a larger population on a not lower level of living.¹

Benjamin Higgins says that "one might label a country underdeveloped if its government considers development a 'problem' which calls for positive policy."²

The characteristics of underdevelopment are numerous and Harvey Leibenstein given an extensive list of them under the general headings of: (1) Economic; (2) Demographic; (3) Cultural and Political; and (4) Technological and Miscellaneous.³ The economic characteristics include a high proportion of population in agriculture and over-population in this area; little capital per capita; low incomes and almost zero savings; most of the residual employment is in the other primary industries such as forestry and mining; exports are usually foodstuffs and raw materials and there is usually a low volume of trade per capita. The basic characteristics in agriculture include: uneconomic small holdings; poor techniques; and land hunger.

¹Jacob Viner, International Trade and Economic Development, Glencoe, Illinois: The Free Press, 1952, p. 125.

²Benjamin Higgins, Economic Development, New York: W.W. Norton & Co. Inc., 1959, p. 6.

³Harvey Leibenstein, Economic Backwardness and Economic Growth, New York: Wiley, 1957, pp. 40-41.

The demographic side is characterized by high fertility and mortality rates; inadequate nutrition and poor sanitation and public health. The cultural and political characteristics include: poor education and a high rate of illiteracy; the general weakness or absence of a middle class; and traditionally determined behaviour. Lastly, Leibenstein lists the technological and miscellaneous characteristics as a low yield per acre; no training facilities; inadequate or crude communications; and crude technology.

It is unlikely that all these characteristics mentioned will be experienced in any one underdeveloped country. The criterion of underdevelopment is more a matter of degree in intensity of some or many of the characteristics rather than the number of characteristics actually present in an economy. Mindful of this, I can safely label Jamaica as an underdeveloped economy throughout the period of my study because many of the characteristics mentioned have been and still are entrenched in the Jamaican economy.

G.E. Cumper said that at some points the Jamaican economy bears the stigmata of an underdeveloped country.

It is true of rural Jamaica--that labour is ill-educated, unskilled and generally conservative. The volume of capital that can be effectively applied to the improvement of production under present conditions is inadequate to the task of raising productivity and incomes to acceptable standards. Producers are slow to change and habitually place security before income in their calculations; they lack 'know-how' except in the traditional export crops, partly because there exist no effective channels of research and communication. Agricultural land is in short supply and is used to the limit, regardless of long-term fertility; while the system of land holding makes difficult the transfer of small holdings and their consolidation into larger units.⁴

These characteristics are features of modern Jamaica and many of them were encountered with much greater intensity in the Jamaica of one hundred years earlier. Having obtained some idea of the term 'underdeveloped' and its

⁴G.E. Cumper, "The Development of the West Indies", The Economy of the West Indies, ed. G.E. Cumper, Jamaica: United Printers Ltd., 1960, p. 13.

implications, especially in regards to the Jamaican economy, it is now possible to pass on to a definition of a small economy.

A small economy has been defined in a number of ways depending on whether one was interested with smallness due to population or area. An economy is generally considered small if its population is small; its area is small; or both. It is not often that both considerations, small population and small area, are taken together when discussing smallness.

C.N. Vakil and P.R. Brahmananda say:

The term size is somewhat ambiguous and may refer to either area or population. Large-sized countries may be sparsely populated, while small-sized countries may have a high density. From the economists point of view, geographical size, other conditions given, has significance because of the possibility that a large-sized country may possess a larger quantity of natural resources or greater diversity in their supply and conjunctual advantages in climate... on the other hand, if we emphasize the population aspect in size, we find that some countries with a small geographical size have a very large population though with low per capita incomes and poor productivity levels.

The economist, however, emphasizes the significance of geographical and population size upon the size of the market.⁵

Professor Simon Kuznets emphasizes the size of population where he defines a small nation as "an independent sovereign state with a population of ten million or less."⁶ For my purpose, I am interested in economies with a Jamaican order of magnitude as regards both area and population. Jamaica's population is less than two million and it has an area of only 4,400 square miles. This restricts my analysis to a very small unit with limited natural resources and very small actual or potential markets. These two factors (limited resources and small markets) exert considerable influence on trade

⁵C.N. Vakil and P.R. Brahmananda, "The Problems of Developing Countries", Economic Consequences of the Size of Nations, ed. E.A.G. Robinson; London: Macmillan & Co. Ltd., 1960, p. 134.

⁶Simon Kuznets, "Economic Growth of Small Nations", *Ibid.*, p. 14.

and the development of this aspect will be treated in section B of this chapter. Before proceeding to this, it is necessary to define and obtain some implications of economic growth and development.

Kuznets defined economic growth in terms of increasing economic activity in an economy which outstrips population growth and results in a sustained rise in per capita incomes.⁷ G.E. Cumper points out that economic development means more than this because "it implies that with a rise in incomes is associated a change in the economic and social structure which transfers the economy permanently to a higher level of production."⁸ Kuznets' concept of growth is relatively modern because he states that in the past growth meant a substantial rise in the factors of production, e.g. in total population and total product but not necessarily an increase in per capita incomes.⁹ Ragnar Nurkse seems to distinguish between the old traditional approach and the modern one when he differentiates between 'growth' and 'progress'. He says:

An increase in numbers alone may constitute "growth" in aggregate productive capacity, but not necessarily "progress" in terms of per capita output and income. As a rule progress must involve an advance in the factors other than numerical size of the labor force.¹⁰

Nurkse was interested generally in the growth of factor supplies whether or not it involves progress and this approach is necessary if one is dealing with the historical process of growth over an extended period. Since I shall

⁷Simon Kuznets, Economic Growth, Glencoe, Illinois: The Free Press, 1952, Lecture I.

⁸Cumper, op. cit., p. 9.

⁹Kuznets, op. cit., p. 14.

¹⁰Ragnar Nurkse, Patterns of Trade and Development, Wicksell Lectures 1959; Stockholm: Almqvist & Wiksell, 1959, p. 55.

be tracing throughout this thesis the economic development of Jamaica in both the nineteenth and present century, both of Nurkse's concepts will be useful. 'Growth' will be pertinent to the Jamaican scene in the nineteenth century, particularly since that period experienced growth in factor supplies such as labor and in the extension and use of land, whilst "progress" will be more pertinent to the post World War II period.

Kuznets points out that "continuous technological progress and underlying it, a series of new scientific discoveries are the necessary condition for the high rate of modern economic growth combined with a substantial rate of growth in population."¹¹ Modern growth is therefore closely tied up with modern scientific discovery:

Without the emergence and development of modern science and science-based technology, neither economic production nor population could have grown at the high rates indicated for the last century to century and a half in the developed countries.¹²

Kuznets' concept is applicable to the developed economies but what of the underdeveloped ones where technological innovation has taken some time in catching on? In many of these economies the little growth experienced until relatively recent times can not be attributed to any great technological or scientific improvement. Such is the case with Jamaica where, up to World War II, there was little technological activity apart from the sugar cane industry and this, as will be pointed out later, was due to economic necessity in the face of persistently falling prices for sugar.

I think that if it is at all possible to differentiate between modern growth, applicable to the more developed economies, and traditional growth, applicable to the majority of underdeveloped ones, it will be on the grounds of the greater emphasis placed by modern growth on technology and scientific discoveries bringing about a more efficient combination of the factors of

¹¹Kuznets, op. cit., p. 29.

¹²Ibid., p. 30.

production than by traditional growth.

B. Small Economies: Consequences of Size on Trade

The Classical economists, being concerned with a Free Trade world, had little interest in the economic consequences of the size of nations. Mobility of the mobile factors, labour and capital, would make such considerations irrelevant since this mobility would tend towards the eventual equalization of factor returns between trading countries regardless of size. R. Triffin has little doubt as to what the answer of the classical economists would be if they were asked to express their opinion on the economic consequences of the size of nations. He says:

After having assumed everything else to be equal, they would probably point out that the larger the nation the larger the area over which free trade would be guaranteed by political organization in a world of nation states. They would also point out, I am sure, that if each nation state acted rationally and embraced free trade, little damage could be done by the existence of separate political sovereignties and that the size of nations would then be irrelevant to their economic prosperity.¹³

Since the 1920's, however, restrictions on trade and factor movements have become accepted features of international trade and their introduction has brought considerations of the economic consequences of size to the fore. We shall deal with some of the characteristics peculiar to small economies with reference to their implications on trade and the economic development of these economies. Small economies shall be treated as small nations regardless of whether they are politically autonomous or not.

Small nations are characterized mainly by: (1) less diversification in their economic structure than larger economies; (2) a greater reliance on foreign trade to satisfy the broad structure of their final demand than larger economies; and (3) a greater concentration of exports in one or two commodities.

¹³R. Triffin, "The Size of a Nation and its vulnerability to Economic Nationalism," in Robinson, op. cit., p. 248.

(i) The reason why there is less diversification in the economic structure of small nations is attributed to their covering relatively small territory. Kuznets points out that diversity of natural resources is a function of size.¹⁴ By this he means that in relation to economies covering larger areas the likelihood of a small nation possessing a greater diversity or abundance of natural resources is small. This observation is in nature a general one because there are many small nations possessing ample quantities of a natural resource. This is the case with bauxite in Jamaica as Jamaica is the largest producer and exporter of this mineral today. Apart from this however, though there is some copper, there is very little diversity of mineral resources in the island and so Jamaica cannot be regarded as an economy possessing any great diversity of natural resources.

Because of size, it is also difficult in many industries to sustain a minimum scale of plant let alone an optimum. An optimum scale, Kuznets thinks, could be sustained only at a loss or on the basis of foreign markets. Tibor Scitovsky was very concerned with the problems associated with the scale of plants and efficiencies and so defined an economy as being small if it fails to provide the competitive conditions necessary to spur to utmost efficiency the establishment of the technically most efficient plants. He says:

Technologically an economy can be too small if its market is too small to provide an adequate outlet for the full capacity output of the most efficient productive plant in a given industry. From this point of view, then, the minimum size of an economy is generally different for different industries; and, if we have an economy which is too small from the point of view of some but not other industries, we have right away a simple technological determinant of the composition of foreign trade that is

¹⁴Kuznets, op. cit., p. 92.

completely neglected in the classical theory of international values.¹⁵

It seems that for a viable economy Scitovsky requires the conditions necessary to sustain not only a technological optimum but also an economic optimum which implies that the economy is capable of providing the incentives for the building of technologically optimum sized plants. This can be inferred from the following two quotations:

An economy, for example, that is large enough to provide adequate domestic market outlets from the output of at least one optimum-sized plant in all industries producing final products may still be sub-optimal if some of these plants need equipment, servicing, or other intermediate products, but provide too small a market outlet for some of these. The technological optimum-size for an economy therefore may be very much larger than one might think at first.¹⁶

Technological optimum conditions by themselves are not satisfactory criteria for a viable economy. Economic considerations should be taken into account and are of greater importance:

In contrast to the technological factors stand the economic ones, all of which have to do with competition and its influence on efficiency. Economically, therefore, an economy is too small if it fails to provide the competitive conditions necessary to spur to utmost efficiency and to lead to the establishment of the technically most efficient plants. An economy large enough to absorb the output of at least one optimum-sized plant in all industries may still not be large enough to provide the incentive for the building of such plants. Thus, a technological optimum size of an economy is a necessary but not a sufficient condition to ensure the utilization of the most efficient means of production.¹⁷

In many small economies both these qualifications of a technological and economic optimum cannot be realized through the domestic market only. Scitovsky analyses the influence of international trade and economic integration as a means out of this impasse of smallness. He advocates economic integration because he feels that international trade would be too precarious to serve as the main basis for mass production. He agrees that

¹⁵T. Scitovsky, "International Trade and Economic Integration as a Means of Overcoming the Disadvantages of a Small Nation," in Robinson, op. cit., p. 82.

¹⁶Ibid., p. 283.

¹⁷Ibid., p. 283.

although there are means of eliminating the disadvantages of a dependence on export markets, such as by commodity agreements or contractual arrangements, these are inadequate because they are usually confined to staple foods or primary products.¹⁸ Where, however, no such outlet as economic union is available, international trade, regardless of its advantages or disadvantages, remains the main agent for the elimination of the disadvantages of smallness and the main vehicle of economic growth.

(ii) Kuznets points out that "at comparable levels of per capita economic performance, the disparity between the diversified structure of final demand and the more concentrated structure of domestic product will be proportionally far greater for small nations than for large".¹⁹ He arrives at this conclusion from the premise that at roughly the same level of per capita economic performance the broad structure of final demand will be the same for a small nation as for a large one. The larger nation, however, due to greater diversity in its economic structure has greater capabilities for fulfilling a greater proportion of its final demand from its domestic sector than a smaller nation has. Hence, the greater reliance of a small nation on foreign trade. As Marcy says:

A small nation depends upon foreign markets both for supplies and sales; it cannot hope to isolate itself to any significant degree against world economic conditions; especially since the only advantage within reach, namely larger sales markets and economies of scale, can be obtained through foreign trade.²⁰

This then, is the rationale for the dependence on foreign trade by small nations. Professor Cairncross thinks that today the role of foreign

¹⁸Ibid., pp. 283-286.

¹⁹Kuznets, op. cit., pp. 92-93.

²⁰G. Marcy, "How far can Foreign Trade and Customs Agreements confer upon Small Nations the Advantages of Large Nations"? in Robinson, op. cit., p. 270.

trade in increasing the wealth of nations has been played down by many modern economists who seem to have accentuated factors such as the accumulation of capital and the progress of technology more than the growth of markets through trade. Although they realize that all these factors work concomitantly they are skeptical as to specifying or isolating the influence of any one factor. For small economies I think there is overwhelming evidence in favour of trade as the predominating factor in their economic development. It is often through trade that the other factors are realized.

In general Kuznets holds that foreign trade serves as a mechanism of the international division of labor permitting specialization in production. Because of this, it is far more important to small nations than larger units because it offsets the limitations that would otherwise be imposed on their final consumption by the greater concentration in their domestic productive structure. He points out, however, that there are many disadvantages due to a reliance on foreign trade which mitigate against the instrumentality of trade as a complete remedy for the disadvantages of size.²¹ The fact remains that foreign trade is not free, neither is it reliable at all times. Triffin gives four reasons for the unreliability and hence the vulnerability of small nations that depend in the main on trade for their development.²² These reasons are: (1) a high level of foreign restrictions; (2) sudden and unpredictable shifts in the level of these restrictions; (3) the growth of bi-lateral trade and payments techniques; and (4) the course of economic events may be vitally affected even by the internal policies of trading partners. So, forces of a non-economic nature such as political play an

²¹Kuznets, op. cit., pp. 95-96.

²²Triffin, "The Size of the Nation ...", in Robinson, op. cit., p. 243.

important part today in the trading relationships of countries. Professor Cairncross concurs with Triffin and Kuznets that foreign trade carries with it a great dependence on external forces.²³ Although accepting this objection to a dependence on foreign trade, he stresses that this is the price that the international division of labour exacts. This is necessary, however, because the country needs foreign capital, foreign equipment and foreign ideas and it is mainly through trade that these become available. Cairncross remarks:

Trade is no mere exchange of goods, least of all when it takes place between economies at different stages of development. As often as not, it is trade that gives birth to the urge to develop, the knowledge and experience that make development possible and the means to accomplish it.²⁴

After analysing the role of the export sector in the economic development of a small nation it is necessary to know whether this sector might have any peculiarities which are due mainly to size. This brings us to the third characteristic of a small economy.

(iii) It is characteristic of a small nation that its exports are more likely to be concentrated in one or two commodities. Since there is a lack of diversity in such an economy there is a great concentration of the factors of production in the sector in which the economy has a comparative advantage. The point, however, that exports are usually concentrated in relatively few products, has resulted in some objection to a reliance on foreign trade as a means of development. This objection is based on the

²³A.K. Cairncross, "International Trade and Economic Development" Economica, Vol. 28 (Aug., 1961), pp. 236-239.

²⁴Ibid., p. 239.

fact that foreign demand impinges only on a limited sector of the economy-- (many underdeveloped countries are misleadingly called "monocultures" says Cairncross). It is then argued that: (a) the export sector is rarely the vehicle of rapid innovation in other sectors; (b) that most of the foreign demand is an overspill from the industrial countries and fluctuates accordingly with the level of industrial activity; and (c) that average prices received for exports are also thought to be unfair. Cairncross sees nothing surprising in the fact that external demand bears on a narrow sector of the economy. This is but a reflection of the much higher productivity of resources, especially land, in some specialized use rather than in any less specialized alternative use. It is pointed out that although foreign trade opens up the possibility for immediate gain it does not and cannot by itself do more than this. This is probably the reason why some countries with a long tradition of profitable trading relations are still relatively underdeveloped. Cairncross says:

An expanding foreign demand will not be translated into a self sustaining process of development in every sector of the economy unless many other conditions are fulfilled simultaneously. But the chances are that if these conditions are not fulfilled the same obstacles will stultify development as long as the forces of change are purely economic.²⁵

He goes on further to say that he considers it implausible that foreign trade could be contained indefinitely without transmitting its dynamic influences to the rest of the economy. The so called "demonstration effect" comes into play here. There is little doubt that this effect can be inoperative for a long time due to forces of an uneconomic nature (social and psychological). Nevertheless, once this effect is operative, it can perform invaluable service to the economy by exerting dynamic influences on the other sectors.

²⁵Ibid., pp. 239-240.

Besides the greater concentration of exports in a few commodities in small nations, there is often the tendency for imports and particularly exports to be concentrated also in regards to their destination and origin. It has been observed that small nations trade with one or two countries whilst larger nations trade with a larger number of countries.²⁶ In Jamaica we shall see that this observation rings true especially in the nineteenth century when most of her trade was with Great Britain. Even today this trade is highly concentrated as most of Jamaica's exports go to and her imports come from the United Kingdom, Canada and the United States.²⁷

This analysis, so far, has concentrated mainly on the disadvantages accruing to economies as a result of smallness. There are, however, certain advantages which a small economy might enjoy. For example, Kuznets says:

While a small nation may lack many natural resources, its supply of a few may give it a marked comparative advantage over larger economies whose supply may be as large or larger absolutely, but much lower on a per head or per unit of need basis. Likewise, while a small nation cannot afford to adopt large-scale industries, it may have advantages with respect to some fabrication processes. The existence of such foci of comparative advantage may mean concentration upon them... to a much greater extent than required in large nations; with population small, labour and other economic resources can be more fully absorbed in a few economic activities.²⁸

Other advantages spring from their small populations:

Small nations because of their smaller populations and hence possibly greater homogeneity and closer internal ties, may find it easier to make the social adjustments needed to take advantage of the potentialities of modern technology and economic growth... the terms defined broadly.²⁹

²⁶Kuznets, op. cit., p. 95.

²⁷Some idea of the geographical pattern of Jamaica's trade in the nineteenth century and today will be given in chapters two, three and four of this thesis.

²⁸Kuznets, "Economic Growth of Small Nations", in Robinson, op. cit., pp. 17-18.

²⁹Ibid., p. 28.

Kuznets is very careful in his use of words here because there are many examples of small economies where these observations are not often the case and here it is no less painful to make necessary adjustments than it is for larger economies. The versatility of an economy often depends on psychological and sociological factors which can be as great a hindrance, if not greater, in a small economy as it is in a larger one. Sociological factors have been known to make transportation and labour mobility, which are agents of internal growth, a much greater problem at times in a smaller economy than in any economy of greater size with the same level of per capita achievement.

It can be concluded that considerations of size are of great importance to economic analysis on the whole and to the economic development of nations, particularly in respect to its implications as far as foreign trade is concerned. It has been shown that foreign trade plays a much greater part in the development of smaller nations than larger ones. It is through trade that many of the limitations imposed by smallness can be offset. At the same time, smallness need not always constitute a hindrance to economic growth and development. It can also be a great help because there are advantages which can result from smallness but their realization depend on the peculiar aspects of the individual economies.

C. Developmental Problems due to Trade: Possible Solutions

Trade played a crucial role in the development of the developed countries particularly in the nineteenth century when these countries experienced a phenomenal rate of growth. Ragnar Nurkse says that trade gave:

First of all, comparatively advantageous employment to any increase accruing in the domestic labor force or capital stock. Secondly, it may have tended to stir up dormant idle resources and to draw them into economic activity for export production. Thirdly, it could help by attracting to those areas a part of the increase in capital and labor that was going on in the dominant centers of growth. Buoyant conditions of external demand tended to encourage the application of capital and improved technology of primary production for export.³⁰

³⁰Nurkse, op. cit., p. 33.

This is not by any means strictly a nineteenth century phenomenon although it does seem so in light of the present day experiences of primary producing or underdeveloped countries that rely on international trade as a means of development. The reason for this has been attributed to a lag in world trade for primary produce in comparison to manufactured goods. This was brought out by recent studies made by G.A.T.T. and the U.N.³¹

Today, this relative lag in world trade for exports of primary producing countries aided by instabilities in their export markets due to fluctuating demand on supply are the two main factors curbing growth and development in these countries. There are two distinct schools of thought on the extent and causation of this primary export lag. One school attributes this lag to a deficiency of demand; the other, to a deficiency of supply. The latter school bases its argument on the failure of primary producing countries to expand their exports due to the process of industrialization which results in the consumption of greater quantities of their produce thus restricting supplies for exports. Cairncross, with more sophistication, argues that price factors are responsible for the failure of industrial countries to expand their imports of primary products. He points out that there is a sharper rise in the prices of goods from the primary producing countries reflecting an acute pressure on supplies which have a low elasticity. He further argues that this low elasticity was aggravated by the concentrated efforts of many underdeveloped countries on industrialization rather than agricultural development.³²

³¹ G.A.T.T. International Trade 1955, Geneva: 1956.
G.A.T.T. Trends in International Trade, Geneva: 1958.
United Nations, World Economic Survey, New York: 1958.

³² Cairncross, op. cit., p. 248.

The demand deficiency school's chief proponent is Nurkse. His argument seems to have been developed from his observation of the nineteenth century experience of the development of primary producing countries and today's. In the nineteenth century, the industrializing countries demanded large quantities of primary products and the primary producing countries benefited from this sustained and ever increasing demand as more and more countries became industrialized. Today, primary producing countries do not face a sustained and increasing demand for their products. On the contrary, they are faced with a demand deficiency.

The demand deficiency argument is based on the following factors:

(1) a shift in the pattern of the industrial countries to low import content industrial production; (2) agricultural protection; (3) a secular trend towards reduced usage of primary materials; and (4) a substantial substitution of synthetics for imported raw materials.³³

Both arguments have much to recommend them but I think the demand-deficiency argument seems more in keeping with the times, especially since the post World War I era when political and economic independence based on nationalistic considerations became the order of the day.

Another problem facing the primary producers is that although they are partly screened from competition with the advanced countries, due to the nature of their product (a result of geographical location), they are not screened from competition with one another. The result is that very few primary producers find themselves enjoying monopoly privileges for any of their products. Cairncross says that the primary producers are in a different situation today from the countries settled by Europeans during the nineteenth century--"the regions of recent settlement".³⁴ These were, in effect,

³³Maizels, "Effects of Industrialization" Kyklos, Vol. XIV, 1961, Fasc. I. p. 19.

³⁴Cairncross, op. cit., p. 241.

the frontiers of an older economy and, as a result, were in a market with much greater elasticity than the underdeveloped countries are in today.

The second main factor curbing the economic development of primary producers was the presence of instabilities in their export markets. A U.N. study on the matter points out first of all the important role that exports play in economic development and the limitations that are imposed on this role by instabilities in export markets. The study states:

Exports play a strategic role in underdeveloped countries in determining national income, rate of savings and of capital formation, monetary stability and the progress of economic development programmes. The instability experienced by under-developed countries in their foreign exchange receipts from exports--particularly if reinforced by similar fluctuations in other credit items in their balances of payments--imposes severe handicaps in maintaining steady investment in development programmes over a period of years. Even if the rate of capital accumulation were not affected by fluctuations in real income and money circulation, development programmes would be disrupted if foreign exchange were not available as required. Furthermore, if development projects are expected to result in the production of exportable goods, calculations of cost and income may be completely upset by wide fluctuations in price and demand.³⁵

The U.N. study stresses three main disadvantages due to price fluctuations. The first is that the degree of fluctuation leads to inflation in both prosperity and depression--during a depression, a reduction in imports either by devaluation or direct restrictions may increase an inflationary pressure on prices. In prosperity, money incomes of exporters may increase so rapidly in times of increased demand as to render counter-inflationary measures inadequate. It is possible that increased export proceeds can be spent on imports which absorb purchasing power and reduce inflation. This, however, is not the case where imports are the capital intensive goods required for economic development. The second disadvantage springs from the transitory nature of proceeds which are often sent abroad (in the case of

³⁵Instability in Export Markets of Under-Developed Countries, New York: United Nations, Dept. of Economic Affairs, 1952, p. 1.

large foreign investments in the economy) instead of 'ploughed' back into the economy. The third disadvantage is the necessity of maintaining large foreign balances to serve as stabilizing mechanisms in the economy to guard against any substantial declines in exports.

These three main disadvantages due to price fluctuations in the export markets of primary producers are serious ones. They make the path towards development much more difficult for these countries than others. This consideration alone provided sufficient reason for primary producing countries to depart from primary production if possible and embark on economic pursuits of a more stable nature. A critique will be made of the policies recommended for this by Nurkse.³⁶

Nurkse argues that if primary production for export does not offer attractive opportunities, then a more effective utilization of capital and labour could be realized by industrialization. This reason plus the famous Galbraithian observation that "a purely agricultural country is likely to be unprogressive even in its agriculture" and Gunnar Myrdal's remark that "industrialization creates a technology which can then be applied to agriculture but not vice versa"³⁷ present powerful arguments for industrialization as a means of development. Before proceeding to the problems associated with industrialization, Nurkse looks at what he calls the academic solution for realizing a more efficient combination of the factors of production. This is the migration of labour and capital from the less developed countries to the centers of growth, the industrial countries. Capital movements are difficult to discern but there are well known examples of labour migration in the cases

³⁶Nurkse, op. cit.

³⁷Gunnar Myrdal, Prospects for an International Economy, New York, 1956, p. 464.

of Jamaica and Puerto Rico. Migration of labour is much more effective as a method of development in economies with relatively small populations but none the less with great density of population. In other words, it is more suitable for a small economy than a larger one. For example, a net migration of say thirty thousand a year in an economy whose total population is one million would have a much greater effect than a migration of sixty thousand a year from an economy with a total population of six million if both economies have the same per-capita achievement. Nevertheless, migration is not a popular avenue of escape and few countries are willing to accept migrants with little skills and oftentimes illiterate from the underdeveloped countries. The other side of the coin is that many migrants are the skilled or semi-skilled that the underdeveloped countries can rarely afford to lose.

Industrialization too is no simple solution. Many small economies are poorly endowed with the natural resources that are necessary for a high level of industrialization. It is true that there can be some light industrialization in the agricultural and primary sector but even here price and market considerations are not always favourable for this. For underdeveloped small economies with over-population problems, a labour intensive type of industrialization seems to be the most beneficial type possible. This has been advocated by many economists. Nevertheless, one should be careful, however, of not falling into what might be the economic fallacy of the age: that industrialization is the "panacea" for the economic ills of the underdeveloped countries. There are many problems associated with industrialization and Nurkse brings out some of them when he examines the relative merits of both: industrialization for export markets; and the pattern of home-market expansion as a means of development.

Industrialization for Export Markets

Nurkse favours this means of development. He says:

Industrialization for exports would seem an attractive solution in that it avoids the need for carrying out any drastic and painful reform or "revolution" in domestic agriculture, under physical conditions that may be in any case unpropitious for agricultural improvement. The manufactured goods would be sold in foreign markets where there is no shortage of purchasing power, and would serve to pay for basic foodstuffs imported from regions better endowed to produce them.³⁸

Nurkse points out that this solution is not as easy as it appears at first glance. There are difficulties on the supply side; for example, an abundance of labour does not mean that labour is necessarily cheap for industrial purposes. Labour is not cheap when it is "illiterate, unskilled and undisciplined. The factor-proportion analysis was never meant to be applied without reference to quality."³⁹ Labour must be raised to a minimum level of economic efficiency and this requires considerable overhead investment of a social nature especially in education and health. Puerto Rico is given as an example of an economy whose remarkable economic growth in recent years benefited greatly from social investment in the 1930's and 1940's. W. Arthur Lewis plays down the role of literacy in industrial development. He holds that industrial skills do not require a high degree of literacy and are not as difficult to acquire as many think. He says:

A factory worker can be taught the necessary skills without learning to read and write; neither in Britain nor in Japan was the Industrial Revolution founded upon mass literacy. Neither do farmers need literacy to acquire new productive skills, as Japan has already amply demonstrated by 1914.⁴⁰

Obstacles are also encountered due to demand. The problem here is the extension of demand because this pattern of development depends on a lenient commercial policy in the older industrialized countries. Here a small economy

³⁸Nurkse, op. cit., p. 37.

³⁹Ibid., p. 37.

⁴⁰W.A. Lewis, "Foreword", Gisela Eisner, Jamaica, 1830-1930, Manchester: Manchester University Press, 1958, pp. xxi-xxii.

has a certain advantage because its exports of manufactured products could be small in comparison to the quantities demanded by large economies. The result is that their effects can be almost negligible in these large markets and so cause little concern to domestic producers. In this case, the small economy would be faced with a perfectly elastic demand curve where it can produce as much as able at the market price. This also means that these economies have little bargaining power since they cannot affect price but this need not be detrimental if they can produce manufactured articles at costs well below market prices. Some small economies do, however, exert some bargaining power. For example, Hong Kong is able to produce certain textiles so cheaply and in such abundance that many industrialized and more developed countries are forced to place restrictions on the importation of these products. Nurkse does not think that this problem would result if the manufactured goods exported by underdeveloped countries are subject to rapidly rising total demand.

Another aspect brought out was that the newcomers must be content to export cruder and simpler kinds of manufactured goods or those goods from industries which tend to become 'sick' industries in more advanced economies. As regards the former type, it is hardly likely that in the early stages of industrialization goods other than the simpler and cruder kind can be produced. The latter type 'sick' industries, can demand and obtain at times some form of protection through tariff walls and quotas. If this is the case, the only other solution turns out to be a search for markets in other underdeveloped economies. Nurkse concludes as follows:

The industrialization for export pattern of development depends on a high degree of internal mobility and adaptability in the older industrial countries. These countries themselves would gain in real income by shifting out of industries where their comparative advantage is low or declining.⁴¹

⁴¹Nurkse, op. cit., p. 40.

He then takes a look at the pattern of home-market expansion.

The Pattern of Home-Market Expansion

The problems facing this type of industrialization stem from: a lack of real purchasing power reflecting low productivity in agriculture; and the inability of the local economy to supply the food needed to sustain the new industrial workers. This type of industrialization requires a complementary advance in the farm front--a rise in agricultural productivity. The equilibrium rate of advance between both, industrialization and agriculture, may vary. Small economies seem to be at a distinct disadvantage in this respect due to the smallness of their domestic markets and because many of these economies have highly developed agricultural sectors. These sectors often utilize almost all the available land and so increases in agriculture can only be realized by increases in the productivity of land. Even if this were possible it is hardly likely that the agricultural sector could supply the purchasing power or the food necessary to sustain any great increases in industrial activity. The solution in this case is obviously industrialization for export markets and an importation of the foods necessary to supplant local production and satisfy basic requirements. Nurkse sees this type of industrialization as being a less painful approach to development.⁴²

Nevertheless industrialization for home-markets is desirable if possible. It can reduce imports through its "import substitution" effect and bring about a favourable balance of trade, or lacking that, palliate any balance-of-payments problems experienced by the economy. The "import substitution" effect is of great importance to many underdeveloped countries which export raw materials and imported large quantities of the finished products. Many of the first attempts towards industrialization have been of this kind: for example, the establishing of plants and factories to process agricultural products. The

⁴²Ibid., pp. 42-43.

"import substitution" effect need not be the case if industrialization results in the production of domestic goods which do not normally enter foreign trade. "Import substitution" can mean either substitution of home produced goods for consumer goods imports or substitution of capital goods imports for consumer goods imports. The latter is one of the means used for increasing capital imports without necessarily increasing export earnings. These capital imports by adding productive capacity to the economy will sooner or later result in an enlargement of the total size of the market in the country in question.⁴³ Once industrialization for the home market has gained a footing it becomes easier to increase exports of manufactured goods to the most advanced economies.

This analysis stresses that the main problems of trade faced by primary producers are due to: a relative lag or sluggish expansion of demand for their exports; and incomes and price instabilities in their export markets. These factors seriously hamper economic growth and development. Industrialization has been advocated as a means out of this impasse. This industrialization can be either: industrialization for export markets; for home-market expansion; or, a mixture of both. The first type seems to be preferable for the economies under consideration. None of these methods, however, provide an easy way out.

D. A Dynamic Model of Trade and Growth

In my opinion, a satisfactory model should conform economic theory to economic reality. So far, in this chapter, I have presented some of the theoretical implications of trade as an agent of growth and a suitable model would embody most or all of these implications. Douglass C. North has developed a model, the export-based model, which fulfills this obligation and is

⁴³Ibid., p. 46.

therefore applicable to the small economies under consideration.⁴⁴

From the theoretical aspect, the model stresses the importance of exports in a developing economy; the importance of foreign demand on these exports; and, the importance of the export sector influencing other sectors if a substantial rate of growth is to be attained or sustained.

As regards economic reality, the model is by nature a descriptive one because the theory is based on the actual historical experience of the growth of certain regions in Canada and the United States which depended on a few staples. As such, it takes economic realities into consideration. It leaves room for the decline of the export base and can account also for a state of virtual economic stagnation. But, the model can be a prescriptive one as it can be used as a basis for policy. It can point out possible reasons for the slow rate of growth or stagnation of an economy and can prescribe possible solutions for the attainment of greater growth. In the course of its development in this chapter and its later application in chapter five, both the descriptive and prescriptive nature of this model will be realized.

Here, we shall be confined to the theoretical implications of the model. In chapter five, the economic realities of Jamaica's economic growth from the 1830's to 1960 will be analysed from the point of view of whether this growth conformed to the theoretical aspects of the model or not.

North's approach stems from a dissatisfaction with the existing theory of regional economic growth.⁴⁵ His purpose is to re-examine this theory and location theory and advance some propositions that may lead to a new theory of regional economic growth.⁴⁶ Both location theory and the theory of

⁴⁴Douglass C. North, "Location Theory and Regional Economic Growth" Journal of Political Economy, Vol. 63, 1955.

⁴⁵Ibid., III.

⁴⁶Ibid., p. 243.

regional economic growth adhered to the "stages" theory of growth which sees a region passing through a sequence of stages on its path to development. North finds this theory inadequate for explaining the historical economic growth of certain regions in the United States. His reasons are: (1) the stages bear little resemblance to the actual historical development of regions and they fail to provide any insights into the causes of growth and change; (2) they are of little normative value as regards the causes of arrested development or relative decay and are actually misleading in their emphasis on the need for industrialization.⁴⁷ The second reason bears out my point that the model is both descriptive and prescriptive because North intends it to be normative. As such, it could analyse the causes for arrested development or relative decay. Such an analysis can become a basis for policy as it can facilitate the findings of remedial measures. In this case, the model is prescriptive. Because of the shortcomings of the existing theories (locational and regional), North sees the need for reshaping our views on regional economic growth and says that a basic starting point might be obtained from Harold Innis' studies on the growth of the Canadian economy which brought out the importance of the export staple in shaping new economies.⁴⁸ Innis himself did not subscribe to the "staple theory" but Kenneth Buckley points out that "he did use the staple approach to correlate a wide range of political and social developments and explain the character of major institutions within Canada".⁴⁹ The term staple refers to the chief commodity produced in a region--or some natural resource intensive product. Buckley summarizes

⁴⁷Ibid.

⁴⁸Ibid., p. 245.

⁴⁹Kenneth Buckley, "The Role of Staple Industries in Canada's Economic Development", Reprinted from The Journal of Economic History, p. 442.

the staple theory and its implications thus:

Essentially . . . the staple theory of economic growth is a regional approach. It leads from the resources of a region to analysis of the markets for its staple production and through these to the determinants of market demand for its staple. It also leads to analysis of the effects upon capital formation and population growth induced directly and indirectly by the development of the resources of the region, whether these effects occur within or outside the geographical limits of the region. And it emphasizes the range of technology relevant to the production and marketing of the staple, whether these techniques are developed within or borrowed from without. Although the staple approach assigns a strategic role to natural resources, it is not a variant of geographic determinism. Resources are a function of technology and tastes; the emergence of successive staple-producing regions is dependent upon advances in technology and changes in tastes within the larger economy of which the regions become parts.⁵⁰

Hugh G.J. Aitken says that "as an economy becomes more complex, one finds it less adequate to interpret its development purely in terms of staple production. Other approaches must be utilized to supplement, but not supplant, the familiar concepts of the staple approach".⁵¹ This then is one major shortcoming of the staple theory. It need not affect us, however, because in Jamaica's case the economy only began to attain some complexity in the 1950's. North's analysis can now be analysed.

North's analysis, like Innis', is a regional one. He remarks that for economists' purposes the concept of a region should be redefined to point out the unifying cohesion to a region, over and beyond geographic similarities, is its development around a common export base. It is this that makes it economically unified and ties the fortunes of the area together.⁵² This definition holds true for the small economies under consideration. North referred to a region in his analysis as a "subject" economy; and, the country within which the region lies, and with which it trades, as a "bench mark" economy.⁵³ In this analysis these two terms, subject economy and bench mark economy, will refer respectively to a small economy and to the larger and more developed

⁵⁰Ibid., p. 443.

⁵¹Ibid., p. 451.

⁵²Ibid., p. 443.

⁵³North, op. cit., p. 257.

economies with which the small economy deals. This comparison of a small nation to a region is not far fetched. E.A.G. Robinson remarks that "a small nation is often to be compared with a region within a large one."⁵⁴

One further point of importance is that North distinguishes between export industries and what he terms "residential" industries. "The term "residential" is used to designate industry for the local market which develops where the consuming population resides."⁵⁵

With these definitions in mind, the role of the export base in shaping the economy can now be examined. North points out that export based growth plays vital roles in: (1) determining the level of absolute and per-capita incomes in a region; (2) the cyclical sensitivity of the region; and (3) the shaping and growth of nodal centers. For the first of these North remarks:

Clearly the export base plays a vital role in determining the level of absolute and per capita income of a region. While the return to factors of production in the export industries indicates the direct importance of these industries for the well being of the region, it is the indirect effect that is most important. Since residential industry depends entirely on demand within the region, it has historically been dependent on the fate of the export base.⁵⁶

This quotation stresses the importance of the indirect effect of the export base on the economy and the importance of internal demand for the development of residential industries. The first point is a bone of contention between economists because one important criticism levelled against North is that oftentimes the indirect effect is not felt because there are cases where the export industries have been unable to influence other sectors in the economy. This seemed to have been the case with Jamaica where for one hundred years,

⁵⁴Robinson, op. cit., p. XIX.

⁵⁵Ibid., p. 249.

⁵⁶North, op. cit., p. 249.

1830's - 1930's, it cannot be said that the export base sector had succeeded in imparting any great dynamic effects on the rest of the economy. This need not mean, however, that North's model does not apply to this economy for the hundred years mentioned. It is to be remembered that North makes allowances for just such an occurrence as the economic fortunes of a region hinges on the fortunes of its export sector. As far as the Jamaican economy was concerned this sector did not experience any rapid growth, neither were there any great changes in the nature of the export base, i.e. from an agricultural base to a mixed one, for the hundred years mentioned. Apart from the lack of any great indirect effects to impart great growth in the economy, all the other requirements of North's model held. As a historical model, it shows why the Jamaican economic performance was a poor one during this period.

The second point is that the export staple plays a vital role in the cyclical sensitivity of a region as it diffuses changes in the level of incomes from other regions to the subject region. The effects of these changes on the subject region depends on the income elasticities of the region's export staples. If these are high, the effects will be great: "clearly regions that specialize in a few products with high income elasticities will have more violent fluctuations in incomes than more diversified regions."⁵⁷ A region or small economy of the type under consideration seems very vulnerable to these fluctuations. In Jamaica's case, fluctuations in incomes from exports posed one of the chronic problems of the economy up to World War I and it was only by the implementation of fixed and negotiated prices (Imperial preference) and trade agreements that they were ironed out.

Thirdly, North discusses the role of the export base in shaping the

⁵⁷Ibid., p. 250.

growth of nodal centers:

Nodes grow up because of special locational advantages that lower the transfer and processing costs of exportable commodities. Nodal centers become trading centers through which exports leave the region and imports enter for distribution throughout the area. Here special facilities develop to implement the production and distribution of the staples. Subsidiary industries to service the export industry, as well as specialized banking, brokerage, wholesaling, and other business services, concentrate in these centers and act to improve the cost position of the export.⁵⁸

The consideration that this last point brings out is the improvement of the cost position of the staple exports as services are developed in the economy which cater to them.

North sees growth as intertwined with the success of exports and therefore it could result from any improvements in the existing export sectors or any development of new exports. He stresses that sustained growth can be realized by a shift from an extractive to an industrial export base but warns that this road is fraught with difficulties--some of which, we have referred to previously.

Since growth has been tied up with the success of staple exports, it is necessary to examine reasons for the growth and change of the export base. If this base is to experience continuous growth, a decline in one staple export should be accompanied by an increase in another. The reason for an increase in growth is a result of increased demand for staples or existing exportable commodities. This increased demand can be brought about by increased incomes in the importing countries or by a change in tastes in favour of the staple product. Caves and Holton spelled out the importance of demand when they declared that:

rapid capital formation and rising per capita incomes depend jointly on strong foreign demand for resource based, mass producible commodities and

⁵⁸Ibid., p. 251.

and upon technological development making such production feasible.⁵⁹ This is especially true in small economies where due to their reliance on trade depend very much on foreign demand for their products. This demand should be accompanied by greater efficiency within the trading sector itself and in this respect capital, technology and management are of great importance. Historically it is pointed out that the creation of a new export or the expansion of an existing export has resulted in the influx of capital both for the export industries and also for other industries which affect these industries.⁶⁰ Increased capital investment can be utilized for: the achieving of the optimum size of enterprise; increasing mechanization; and for the development of specialized services for export. Typically such capital comes from outside sources and so most of the returns would leave the economy but a part of this is also reinvested in the expansion of the export base. In other words, as regions grow around the export base, external economies and also internal economies develop which improve the cost position of exportable commodities. Many small underdeveloped economies have very many problems developing their domestic sectors. The success attained in their export sector can facilitate such development as the domestic sector will find itself depended on more and more with the development of the export sector to provide basic services.

North points out that the growth of factors such as population and incomes will result in increased savings in the economy and both indigenous savings and invested capital can pour back only up to a point in the export industries. Some of the accumulated capital will therefore overflow into other activity.⁶¹ In this way the export sector can begin to affect the other

⁵⁹Caves and Holton, The Canadian Economy, Cambridge, Massachusetts: Harvard University Press, 1961, p. 118.

⁶⁰North, op. cit., p. 255

⁶¹Ibid., p. 255.

sectors because some of the overflow capital will go to residentiary industry and other industries subsidiary to the export industries. It is also likely that some will go to locationally "footloose" industries which may start to serve only the region, but which can expand into export industries.

North gives reasons for a decline in growth due to a decline in staples. The major reasons for a decline in a staple are: (1) changes in foreign demand; (2) exhaustion of resources; (3) increasing costs relative to those of a competing region's; and (4) changes in technology.⁶²

In conclusion, North summarizes the role of the export base thus:

The importance of the export base is a result of its primary role in determining the level of absolute and per-capita income in a region, and therefore in determining the amount of residentiary secondary and tertiary activity that will develop. The export base has also significantly influenced the character of subsidiary industry, the distribution of population and pattern of urbanization, the character of the labor force, the social and political attitudes of the region, and its sensitivity to fluctuations of income and employment.⁶³

E. Conclusion

The avenues left to small economies to improve their international trade can be summed up as follows. First of all, these economies should search for the most profitable markets available for their products. Too often trading relationships have been on a traditional basis rather than on a purely economic one. Besides, this search is often politically orientated as is the case with many colonies whose trading relationships have been dictated by their mother countries. This is not always a disadvantage, however, because many colonies have benefited from such ties and it is only where the colonial power forces its colonies to trade its products at prices lower than can be obtained on the world market that it is.

Secondly, small agricultural economies should endeavour to diversify

⁶²Ibid., p. 254.

⁶³Ibid., p. 257.

their exports along lines in which they have a comparative advantage due to climate, location, or natural resources. Many of these countries have kept traditionally too few exports and have not searched as diligently as they should for new exports of a more profitable nature. Sometimes just a fear of change was the inhibiting factor. Diversification of exports is desirable because it acts as a built in stabilizer against international fluctuations in demand for any specific product. Besides, the greater the versatility these economies enjoy, as regards shifting the production of one crop to the other, the better. The rapidity of this depends on the gestation period of certain crops and other agricultural factors.

Thirdly, some form of industrialization should be developed if possible. The advantages of industrialization for export markets stressed by Nurkse; Kuznets' emphasis on international trade as a means of expanding the markets of small economies; and the advantage of homogeneity which small economies enjoy, all seem powerful arguments in favour of industrialization as a very effective means of development. But the establishment of industry is a difficult task and there are many formidable obstacles to surmount.

With these numerous aspects in mind, the actual experience of the Jamaican economy from the 1830's to 1960 can now be analysed.

PART II

INTERNATIONAL TRADE IN JAMAICA'S ECONOMIC
DEVELOPMENT, 1830 - 1960

CHAPTER 2

THE RECORD OF GROWTH OF THE JAMAICAN ECONOMY 1830 TO 1930

Before tracing the historical process of growth for a hundred years, it is necessary to obtain some idea of changes in the relative magnitudes of the economy during that time. In this chapter, the growth of the gross domestic product (G.D.P.) of the economy and the changes, if any, in the relative importance of the sectors will be analysed in section A entitled: Changes in Principal Aggregates. Then, the agents responsible for these changes will be analysed with special emphasis on the role of exports in section B entitled: Agents of Change.

The statistical estimates used here are taken from Mrs. Gisela Eisner's monumental work on the Jamaican economy: Jamaica 1830-1930.¹ Her data have been recommended highly by Professor Arthur Lewis. He says:

Mrs. Eisner's experiment has succeeded beyond all hope and expectation. Her painstaking searches have yielded far more good statistical material than was thought to exist. The national income technique has proved its value in arranging, disciplining, cross checking and rejecting a mass of material, drawn from many sources. And this bit of history, of which our knowledge was vague and impressionistic, has now acquired clear quantitative perspectives.²

Mrs. Eisner's data terminate in 1930 and I shall make use of them in this part of my thesis which deals with the Jamaican economy up to 1930. I shall deal with the growth of the economy and changes in the relative size of the sectors from the 1930's to 1960 in chapter four. The reason for this separation into these two distinct parts is that during the first part (1830-1930) only minor structural changes took place within the economy. Major structural changes were

¹Eisner, op. cit.

²Ibid., p. XV.

only realized in the economy during World War II and in the 1950's.

Mrs. Eisner makes use of the years 1832, 1850, 1870, 1890, 1910 and 1930. Each annual estimate represents an average of data compiled in three years for most of the values. For example, the values used for 1850 are averages of data for the years 1849, 1850 and 1851.

The resulting estimates then give one year 1832 which represents the immediate pre-emancipation era; 1850 marks the time when the economy had adjusted itself to the short term effects of emancipation; 1870 represents the early years of Crown Colony Government; 1890 shows the transition from sugar to banana cultivation while in 1910 this process had reached its final stages with sugar at its lowest recorded level.³

Mrs. Eisner's study and most studies on the Jamaican economy utilized the concept of G.D.P. which is the value of factors of production actually located in Jamaica. "This differs from the gross national product in that it includes profits sent abroad but excludes overseas earnings of Jamaicans resident or owning resources overseas".⁴ In order to discard any further digressions in methods employed by Mrs. Eisner, it is necessary that her data be accepted as close approximations to the actual ones. Since we are interested more in relative magnitudes than in specific exactitudes, this should not trouble us unduly.

A. Changes in Principal Aggregates

Tables 1 and 2 show respectively the decline or growth of G.D.P. throughout the years in current and constant 1910 prices. Since the constant prices cover such a long period of time, one hundred years on one index, these figures should be treated with caution but they do serve as a more accurate account of G.D.P. changes than those given in current prices. Probably a more useful measure of the real increases in the economy is the growth of G.D.P. per capita. This will be considered after the initial changes of G.D.P. in constant prices

³Ibid., p. 4.

⁴Ibid.

TABLE 1

GROSS DOMESTIC PRODUCT AT CURRENT PRICES

	1832		1850		1870		1890		1910		1930	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
1. Exports	2,086.8	41.4	871.5	23.4	1,084.9	19.1	1,624.5	18.6	2,430.3	21.4	3,467.1	17.4
2. Food Production for Local Consumption . . .	900.1	17.8	1,045.7	28.1	1,944.2	34.3	3,078.0	35.2	3,805.3	33.5	6,254.5	31.3
3. Building and Construction	180.0	3.6	164.0	4.4	250.0	4.4	436.9	5.0	489.4	4.3	1,183.3	5.9
4. Manufacturing for Local Consumption and P.U. . .	320.1	6.3	343.6	9.2	770.4	13.6	1,084.1	12.4	1,403.3	12.4	2,061.3	10.3
5. Passenger Transport and Communications	286.4	5.7	272.3	7.3	23.7	0.4	76.8	0.9	148.3	1.3	336.2	1.7
6. Distribution	322.9	6.4	174.7	4.7	295.9	5.2	405.7	4.6	512.3	4.5	1,041.1	5.2
7. Public Administration . .	552.9	11.0	416.2	11.2	595.7	10.5	1,018.7	11.6	434.5	3.8	1,113.1	5.6
8. Ownership of Houses . . .	217.5	4.3	163.4	4.4	132.0	2.3	200.6	2.3	1,215.7	10.7	2,546.5	12.8
9. Professional Services . . .	175.2	3.5	273.0	7.3	341.9	6.0	487.0	5.6	292.4	2.6	579.2	2.9
10. Domestic Services									630.4	5.5	1,369.3	6.9
Total Gross Domestic Product at current Prices	5,041.9	100.0	3,724.4	100.0	5,676.9	100.0	8,746.6	100.0	11,361.9	100.0	19,951.6	100.0

Source: Eisner, Table 8.I, p. 113.

TABLE 2

GROSS DOMESTIC PRODUCT AT 1910 PRICES

	1832		1850		1870		1890		1910		1930	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
1. Exports	1,828.6	31.7	770.9	15.8	928.1	15.5	1,279.9	16.1	2,430.3	21.4	3,288.9	20.6
2. Food Production for Local Consumption:												
a. Ground Provisions	1,598.3	27.7	1,611.5	33.0	2,096.9	34.9	2,550.2	32.2	3,170.0	27.9	3,846.4	24.1
b. Animal Products	46.8	0.8	169.7	3.5	208.2	3.5	263.5	3.3	350.4	3.1	759.7	4.8
c. Other	8.1	0.1	43.2	0.9	60.2	1.0	98.6	1.2	284.9	2.5	279.4	1.8
3. Building and Construction	278.9	4.8	277.4	5.7	296.7	4.9	355.4	4.5	489.4	4.3	798.1	5.0
4. Manufacturing for Local Consumption	375.4	6.5	457.8	9.4	775.5	12.9	1,068.1	13.5	1,403.3	12.4	2,147.4	13.4
5. Passenger Transport and Communication												
6. Distribution	275.2	4.8	320.1	6.5	247.1	0.5	96.0	1.2	148.3	1.3	323.3	2.0
7. Public Administration	346.1	6.0	231.1	4.7	236.3	4.1	426.5	5.4	512.3	4.5	672.6	4.2
8. Ownership of Houses	501.3	8.7	518.3	10.6	681.6	3.9	321.0	4.1	434.5	3.8	846.4	5.3
9. Professional Services	226.4	3.9	207.9	4.2	161.7	11.3	889.7	11.2	1,215.7	10.7	1,677.5	10.5
10. Domestic Services	287.4	5.0	278.6	5.7	285.5	2.7	375.8	4.8	630.4	5.5	847.4	5.3
	5,772.5	100.0	4,886.5	100.0	6,006.0	100.0	7,925.3	100.0	11,361.9	100.0	15,969.5	100.0

Source: Eisner, Table 8.II, p. 119.

have been analysed for the period.

At constant prices, the G.D.P. of Jamaica decreased by about 16 per cent between the years 1832 and 1850. This was due to emancipation which caused a labour shortage. The ex-slaves preferred to work for themselves instead of on the estates. This shortage of labour resulted in a sharp decrease in exports. From 1850 to 1870, some growth was realized but this was quite small--G.D.P. rose from approximately £4,886,500 to £6,006,000 or around 23 per cent in twenty years or at an average simple rate of increase of 1.15 per cent per year from 1850.⁵ Exports rose in total value from approximately £770,900 to £928,000 or around 20 percent in the same period but had decreased proportionally from 15.8 per cent of G.D.P. to 15.5 per cent. The growth of G.D.P. during this period was affected by the United Kingdom Sugar Duties Act of 1846 which abolished protection for sugar and heralded the advent of a free trade era.

From 1870 to 1890, G.D.P. rose from £6,006,000 to £7,925,000 or by about 32 per cent during the period. This marks an increase in the rate of growth of the economy over the previous period. Exports increased from £928,100 to £1,279,900 or about 37 per cent in the same period and experienced a slight proportional increase from 15.5 per cent to 16.1 per cent of G.D.P.

From 1890 to 1910, G.D.P. rose from £7,925,300 to £11,361,900 or by about 43 per cent during this period. The corresponding percentage increase in exports was from £1,279,900 to £2,430,300 or roughly about 90 per cent and exports increased their share of G.D.P. from 16.1 per cent to 21.4 per cent. The great rise in exports is attributed to the rise of the banana industry. This industry owed its success to the improvement of shipping conditions which

⁵1.15 is a simple rate of increase, not a compounded one which would be somewhat lower.

made this product marketable in temperate climes and to the existence of suitable conditions in Jamaica for its extensive development. The history of the rise of this industry will be related in the subsequent chapter.

From 1910 to 1930, G.D.P. rose from £1,361,900 to £15,967,500 or about 38 per cent. This rate is less than the previous one and this is no doubt due to a disruption of the banana trade because of war conditions and hurricanes. Exports increased in value from £2,430,300 to £3,288,900 or roughly 34 per cent and accounted for 20.6 per cent of G.D.P. in 1930. The mere fact that exports rose at this rate at all was due to increased sugar exports during the war and the rapid resumption of the banana trade after.

During the thirties, G.D.P. continued to expand up to world war II.

Starting from 1850, we should have some idea of what the rise in G.D.P. meant to Jamaicans. Here, we have to take population growth into consideration. Eisner points out that this growth was constant after emancipation up to 1844. After that, population growth was rapid, doubling itself fifty years afterwards and trebling itself by 1943. See Table 3.

TABLE 3
POPULATION GROWTH 1844-1943

Year	Inter-censal Increase '000	Inter-censal Rate of Growth p.a. %
1844-61	63.7	0.9
1861-71	65.0	1.4
1871-81	74.7	1.4
1881-91	58.7	0.9
1891-1911	191.9	1.4
1911-21	26.7	0.3
1921-43	378.9	1.6

Source: Eisner, TABLE V, p. 135.

The rates of growth had been affected up to 1881 by epidemics such as cholera and small pox. After 1881, it was affected by external migration. These shall

not be treated in any detail. Some estimate of per capita incomes can be obtained from the following Table on per capita product.

TABLE 4
PER CAPITA OUTPUT AT 1910 PRICES

Year		Gross Domestic Product £'000	Per Capita Product £
1832	. . . . .	5,772.5	15.6
1850	. . . . .	4,886.5	12.2
1870	. . . . .	6,006.0	11.9
1890	. . . . .	7,925.3	12.4
1910	. . . . .	11,361.9	13.7
1930	. . . . .	15,969.5	15.7

Source: Eisner, TABLE LVI, p. 289.

These figures give some idea of the impact of population growth on per capita incomes. This is pertinent to the periods after 1850 because previous to this, the impact of emancipation⁶ and the Sugar Duties Act was responsible for the fall in G.D.P. Between 1850 and 1870 even though G.D.P. rose, per capita incomes fell and this can be attributed to population increases. Judging from the per capita products through the years, the performance of the Jamaican economy was an extremely poor one bordering on a state of stagnation.

The Structure of the Economy

Table 1 shows the distribution of G.D.P. and this gives us an idea of the structure of the economy and the changes therein during the hundred years under consideration. The fall in the percentage value of exports in the first three periods; its gradual rise from 1890 onwards to 1910; and then, its decline, has already been noted. Food production for local consumption⁷ which Eisner

⁶Emancipation was also responsible for the rapid growth of population but this, as pointed out earlier, was not felt until 1844.

⁷Mrs. Eisner's estimates are derived from an equation which was derived after the following assumptions: 1. the demand for starch food is constant;

admits as the only weighty item which throughout may be open to some doubt as regards accuracy,⁸ shows a sustained rise from 17.8 per cent of G.D.P. in 1832 to a peak of 35 per cent by 1890 and then a slight decline to 31 per cent by 1930. This is important because it signifies the increasing role of the peasant proprietor in the economy after emancipation. At first, the peasantry produced only ground provisions and other vegetables which catered only to the domestic market.

Ground provisions are 'breadstuffs', chiefly yams, cocoes, and sweet potatoes, which formed the staple diet. Having a fairly short growing season and needing only infrequent attention they could be grown in small plots for personal consumption or in larger quantities for sale.⁹

Later on with the advent of the banana, they were able to produce a crop for export (coffee was also produced as an export crop). Manufacturing for local consumption, and public utilities, experienced some increase after emancipation from 6.5 per cent in 1832 to 13.6 per cent by 1870 only to decline to 10.3 per cent by 1890. On the whole, there is little significant change in this

2. a unit of money spent on imported food gives the same degree of satisfaction as if the same amount were spent on home produced food.

The problem of estimating the total value of ground provisions thus reduces to calculation a basic standard of starch food requirements that applies to all years from 1832 to 1930 with appropriate adjustments for population, price and import changes: that is, we make the basic assumption

$$(q_0 p_1 + Q_0 P_1) \frac{x_1}{x_0} = (q_1 p_1 + Q_1 P_1)$$

whence
$$q_1 p_1 = q_0 p_1 \frac{x_1}{x_0} + P_1 (Q_0 \frac{x_1}{x_0} - Q_1)$$

where q_0 is the quantity of ground provisions in the base year,
 Q_0 is the quantity of imports in the base year,
 q_1 is the quantity of ground provisions in the selected year,
 Q_1 is the quantity of imports in the selected year,
 p_1 is the market price of ground provisions in the selected year,
 P_1 is the market price of imports in the selected year,
 x_1 is the population in the selected year,
 x_0 is the population in the base year.

Source: Ibid., p. 10.

⁸ Ibid., p. 24.

⁹ Ibid., p. 9.

sector. One notable feature is the percentage of G.D.P. accruing to domestic service. Jamaica has a high percentage of the labour force engaged in this service; see Table 5.

TABLE 5
PERCENTAGE DISTRIBUTION OF LABOUR CLASSIFIED ACCORDING TO INDUSTRY

	1844	1861	1871	1881	1891	1911	1921
	%	%	%	%	%	%	%
1. Agriculture . . .	71.5	69.6	68.0	67.5	62.8	58.5	55.3
2. Industry and Construction . . .	11.4	16.9	16.9	16.8	17.2	18.1	17.6
3. Commerce . . .	3.0	2.2	2.9	3.0	4.0	5.9	5.9
4. Professions . . .	1.3	1.3	2.0	1.9	2.5	2.7	3.3
5. Domestic Service	12.8	10.0	10.2	10.8	13.5	14.8	17.9
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eisner, TABLE XX, p. 163.

The high proportion of the classified labour force engaged in domestic service signifies considerable unemployment in the economy at the time. People only seek domestic employment on a large scale when there are very few opportunities for work elsewhere. There is a persistent decrease in the agricultural sector which should have augured well for the economy because as a rule this signifies rising living standards which reduces the proportion engaged in domestic service. This, as we have seen, was not the case because the fall in numbers engaged in agriculture was accompanied by an increase of those engaged in domestic service. Surplus workers from the agricultural sector migrated to the towns where apparently domestic employment was the easiest to obtain. The possession of domestic servants was looked upon as a necessity by many who were traditionally accustomed to this type of service during slavery and as a

sign of status among the up and coming, predominantly coloured, middle class.

B. Agents of Change

The principal agents of change or growth in any economy are usually: private investment; public expenditures (especially investment); and exports. We shall analyse the relative importance of each of these on the Jamaican economy. Since we are interested specifically in trade as an agent of growth we shall deal with the trading sector first before analysing the other two. Besides, it is likely that private investment is a dependent variable and public expenditure an independent variable of the rate of exports.

Exports

It has been shown in the previous part that G.D.P. achieved its greatest rate of growth when exports increased and that after emancipation, G.D.P. fell from its 1832 level due to a decrease in exports. Exports, being a major component of G.D.P., constitute the greatest agent of growth in the economy. We shall see later on that the other two agents of growth; private investment and public expenditures played relatively minor roles in the economy.¹⁰ Some tables of the trading sector; its composition; its balance-of-payments; and the terms-of-trade will be given for the years under consideration. We shall deal with exports first.

¹⁰This does not mean that private investment was not greatly dependent on the rate of exports. Because, when exports increased investment also increased but this investment was still a small percentage of G.D.P. due to the scarcity of domestic capital (little savings in the economy) and to the fact that foreign capital was never attracted in sufficient quantity to make a great impact on the economy.

TABLE 6
COMPOSITION OF DOMESTIC EXPORTS
(current value) £'000

	1832	1850	1870	1890	1910	1930
Sugar	1,304.3	537.2	509.2	245.3	209.2	484.4
Coffee	403.7	95.1	172.8	304.0	149.6	199.1
Rum	299.7	193.6	221.7	208.3	152.9	70.5
Pimento	90.1	48.6	30.5	66.5	75.1	216.4
Logwood	37.9	11.1	170.0	353.5	72.5	56.1
Ginger	18.5	20.5	13.7	30.5	46.8	45.5
Bananas . . . .	. .	. .	0.9	319.7	1,334.0	2,267.7
Oranges . . . .	. .	. .	0.6	46.5	43.9	11.7
Coconuts . . . .	. .	. .	3.0	26.7	77.4	144.6
Cocoa . . . . .	. .	. .	. .	12.2	91.5	82.8
Logwood Extract . . . .	. .	. .	. .	. .	147.6	82.2
Grapefruit. . . .						55.1
Other	39.2	17.5	21.8	57.5	167.5	241.7
	2,193.4	923.6	1,144.2	1,670.7	2,568.0	3,957.8

Source: Eisner, TABLE XL, p. 238.

TABLE 7
THE SHARES OF THE MAJOR EXPORTS IN TOTAL DOMESTIC EXPORTS

	1832	1850	1870	1890	1910	1930
	%	%	%	%	%	%
Sugar	59.5	58.2	44.5	14.7	8.1	12.2
Coffee	18.4	10.3	15.1	18.2	5.8	5.0
Rum	13.7	20.9	19.3	12.5	6.0	1.8
Bananas . . . . .	. .	. .	0.1	19.1	52.0	57.3
Miscellaneous	8.4	10.6	21.0	35.5	28.1	23.7
	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eisner, TABLE XLI, p. 238.

Tables 6 and 7 show the composition and shares of domestic exports. The first table (6) shows the diversification that took place in the export sector after 1850. This is a healthy sign for an economy which is dependent on agricultural exports. Leaving out other exports, the number of export products doubled between 1850 and 1930. In table 7 the relative fortunes of the major domestic exports are clearly shown. Notable features are the decline of sugar from emancipation to 1910 and the rise of the banana industry from the nineties onwards. Sugar experienced a steady decline from 59.5 per cent in 1832 to a low of 8.1 per cent by 1910. Although it rose again in importance during World War I, it never achieved its pre-emancipation grandeur and accounted for only 12.2 per cent of exports in 1930. Bananas, on the other hand, had an impressive record of growth especially in the later part of the nineteenth century and the early years of the twentieth. The industry declined during the war but its post-war recovery was rapid; by 1930 bananas accounted for 57.3 per cent of domestic exports.

TABLE 8
PRICES OF MAJOR EXPORTS (1832-1930)

Year	Sugar s. per cwt.	Coffee s. per cwt.	Rum s. per gallon	Logwood s. per ton	Pimento d. per lb.	Bananas s. per stem	Cocoa s. per cwt.
1832	28	91	2.88	..	..	..	..
1850	23	56	3.04	81	6	..	..
1870	23	64	3.65	101	2.1	..	..
1890	13	87	2.87	120.8	4.6	1.75	..
1910	11	69	3.11	97.0	2.3	1.62	36
1930	8.75	107	..	n.a.	..	2.66	24

Source: Figures adapted from Eisner, Table XLIII, pp. 244-246.

Table 8 shows the fluctuations in the prices of Jamaica's exports from

1832 to 1930. Sugar prices experienced a persistent decline which is attributed, especially after 1870, to increasing competition from other sugar cane producers and also from beet sugar producers. This necessitated a constant effort on the part of Jamaican producers to increase productivity in this industry.¹¹ The price of sugar in 1930 would have been less had it not been for the introduction of Imperial preferences with the United Kingdom and a trading agreement with Canada in the 1920's. Coffee prices fluctuated substantially. Coffee, in terms of the value of exports, had been second to sugar before emancipation but had declined because of heavy competition from other British possessions (East Africa) and later from Brazil despite its fine quality. Partial recovery was made in the 1850's with the production of a poorer grade peasant grown coffee. Banana prices according to the table had risen from 1890 to 1930. This could be slightly misleading due to the tendency of banana prices to yearly fluctuations. Nevertheless, there were no sharp declines and falling prices in certain periods seem to have been compensated by increased production.

Imports

Jamaicans depended heavily on imports for their manufactures since agriculture dominated the economy throughout the period. Even so, agriculture did not satisfy the local demand for food although agricultural output for the domestic market exceeded agricultural output for export.¹² Eisner points out that peasant agriculture for food consisted mainly of ground provisions and only a remarkably small share of resources were devoted to meat and dairy products. She says:

In short, production for the home market provided for only a low and monotonous mode of existence. Given such a pattern of production the need for imports becomes obvious.¹³

This accounts for the importance of imports relative to G.D.P. and for the

¹¹The methods adopted will be discussed in chapter three.

¹²See Table 1.

¹³Ibid., p. 261.

existence of a high marginal propensity to import in the economy.

TABLE 9
IMPORTS AND NATIONAL INCOME

Year	Total Value of Retained Imports at Current Prices	Total Value of Retained Imports at 1910 Prices	Imports as Percentage of Gross Domestic Product at Current Prices
	£'000	£'000	%
1832	1,175.6	1,195.4	23.3
1850	1,065.9	1,276.4	28.1
1870	1,223.9	1,015.4	21.6
1890	1,897.9	2,054.2	21.7
1910	2,645.4	2,645.4	23.4
1930	5,765.1	4,370.8	28.9

Source: Eisner, Table XLVIII, p. 262.

TABLE 10

Year	Per Capita Product at 1910 Prices £	Per Capita Value of Imports at 1910 Prices £
1832	15.6	3.2
1850	12.2	3.2
1870	11.9	2.0
1890	12.4	3.2
1910	13.7	3.2
1930	15.7	4.2

Sources: Table 4
Eisner, Table XLVII, p. 260.

In Table 10, it is seen that despite the fall in per capita product from 1832 to 1850, the per capita values of imports remained the same. This signifies great inelasticity in demand for imports. In 1870, imports fell to £2 per capita with a decrease in per capita product to a low of £11.9. This fall

could be attributed to the adverse terms-of-trade experienced by the economy at this time.¹⁴ We shall deal with changes in the terms-of-trade later in this chapter.

Exports and Imports:

The degree of a country's dependence on Foreign Trade can be realized by the importance of both its exports and imports. We can refer to this combination as the trade ratio of the economy. Jamaica had a persistently high trade ratio during the period. This is shown in Table 11.

TABLE 11
EXPORTS AND IMPORTS AT CURRENT PRICES
AS PERCENTAGES OF G.D.P.

Year	Exports*	Imports	Trade Ratios
	%	%	%
1832	43.5	23.3	66.8
1850	24.3	28.1	52.4
1870	20.2	21.6	41.8
1890	19.1	21.7	40.8
1910	22.6	23.4	46.0
1930	19.8	28.9	48.7

*Includes the value of imported production materials.

Source: Derived from Eisner, Tables XXXIX, p. 237 and XLVIII, p. 262.

The Terms-of-Trade

Generally, the terms-of-trade deteriorated except for the periods from 1832 to 1850 and from 1870 to 1890. Import prices fell then due to technological innovations abroad. By 1930, the terms-of-trade index stood at 84. See Table 12.

The Balance-of-Payments

Throughout the period, except for 1832, Jamaica experienced an adverse balance-of-trade and balance-of-payments. The foreign balance had been met

¹⁴Ibid., p. 257.

by loans and grants from the Imperial Government for this specific purpose.
See Table 13.

TABLE 12
THE TERMS OF TRADE
1910 = 100

Year	Export Prices	Import Prices	Terms of Trade
1832	116	98	118
1850	115	84	137
1870	119	121	98
1890	126	92	137
1910	100	100	100
1930	111	132	84

Source: Eisner, Table XLIV, p. 257.

TABLE 13
THE BALANCE OF PAYMENTS

Year	Balance of Trade	Foreign Balance	Foreign Balance as % of G.D.P.
	£'000	£'000	%
1832	1,017.8	1,090.4	21.9
1850	- 142.3	- 93.1	- 2.5
1870	- 79.7	- 109.8	- 1.9
1890	- 227.2	- 246.0	- 3.0
1910	- 77.3	- 75.9	- 0.7
1930	-1,807.3	-1,540.6	- 7.7

Source: Eisner, Table LIV, p. 283.

TABLE 14
THE GEOGRAPHICAL PATTERN OF TRADE

Origin of Imports					Destination of Exports			
Year	United Kingdom	Canada	United States	Others*	United Kingdom	Canada	United States	Others
	%	%	%	%	%	%	%	%
1832	77.7	7.9	8.2	6.2	78.1	3.6	3.0	15.3
1850	64.6	10.2	20.4	4.8	77.9	0.4	6.0	15.7
1870	60.0	15.2	21.9	2.9	77.7	1.8	8.6	11.9
1890	53.9	8.9	34.2	3.0	32.7	2.5	53.1	11.7
1910	43.9	7.8	44.1	4.2	18.7	7.3	59.3	14.7
1930	28.4	20.0	31.6	20.0	25.7	24.9	32.9	15.5

*Others include: France, Germany, Portugal and Spain, India and Ceylon, B.W.I., F.W.I., South America and others.

Source: Figures adapted from Eisner, Tables L, p. 269 and LI, p. 270.

Table 14 shows how much the United Kingdom dominated the pattern of trade in the early years. Up to 1870, over 60 per cent of Jamaica's exports went to and 60 per cent of her imports came from the mother country. By 1890, trade with the United Kingdom declined whilst trade with the United States increased. The peak years of trade with the United States were in the early nineteen hundreds. This was because the United States imported the majority of Jamaica's sugar exports and bananas at the turn of the century. Outside competition from sugar producing countries such as Cuba, Puerto Rico and the Philipines which came within the United States economic orbit, caused a curtailment of Jamaican sugar exports;¹⁵ banana exports, however, continued. Trade with Canada never reached any great proportions except in the twenties after the Canada West Indies Trade Agreements were signed in 1920. Trade with

¹⁵Other areas could not compete because of United States trade restrictions. Their nature will be dealt with in chapter three.

the United Kingdom increased in the twenties also and this was due mainly to Imperial Preferences. This pattern continued throughout the thirties.

Investment and Public Expenditure in Jamaica 1832-1930

One of the major problems facing the economy was the scarcity of capital for development. Jamaicans had a high propensity to consume and therefore a low propensity to save. Some idea of the low rate of savings can be derived from Eisner's figures on per capita product and per capita personal consumption. See Table 15.

TABLE 15

Year	Per Capita Product 1910 Prices	Per Capita Personal Consumption	Per Capita Savings
	£	£	£
1832	15.6	11.2	4.4
1850	12.2	11.5	.7
1870	11.9	10.7	1.2
1890	12.4	11.9	.5
1910	13.7	12.0	1.7
1930	15.7	13.5	2.2

Sources: Eisner, Tables LVI, p. 289 and LXIV, p. 319.

Eisner points out that usually where progress is rapid the annual rate of investment lies in the neighbourhood of 10 per cent or more of national income whilst the rate of investment in a stationary economy is usually about 5 per cent or less. In Jamaica, the rate of gross investment as shown by the gross capital formation figures of Table 16 was below 7 per cent for most of the nineteenth century. In fact, it was 5 per cent in 1832 and 1870 and it was only from 1870 that it experienced a sustained rise until it exceeded 10 per cent in 1930.¹⁶

¹⁶Ibid., pp. 305-306.

TABLE 16
GROSS CAPITAL FORMATION AND GROSS DOMESTIC PRODUCT

Year	Gross Capital Formation	Gross Domestic Product	G.C.F. as Percentage of G.D.P.
	£'000	£'000	%
1832	263.8	5,041.9	5.2
1850	257.4	3,724.4	6.9
1870	320.1	5,676.9	5.6
1890	638.7	8,746.6	7.3
1910	908.3	11,361.9	8.0
1930	2,049.4	19,951.6	10.3

Source: Eisner, Table LXII, p. 306.

The composition of this investment is shown in Table 17.

TABLE 17
THE COMPOSITION OF INVESTMENT

Year	Residential Building	Public Works	Commercial Construction	Agricultural Investment	Durable Producer Goods	Total
	%	%	%	%	%	%
1832	49.1	16.6	14.4	. .	19.9	100.0
1850	47.6	11.1	19.6	0.9	20.8	100.0
1870	58.0	20.0	9.2	0.7	12.1	100.0
1890	44.0	34.5	5.1	0.9	15.5	100.0
1930	44.5	25.0	4.0	. .	26.6	100.0

Source: Adapted from Eisner, Table LXIII, p. 308.

The two most striking features of Table 17 is the small percentage of investment devoted to agriculture and to the declining percentage of commercial

construction after 1850. Agricultural investment was small because little new land was brought into cultivation and so investment in this sector was utilized mainly for preparing cleared land for cultivation. Commercial construction declined because the centralization of sugar factories after 1850 reduced the number of factories in operation. Eisner remarks that reproductive investment, i.e. the forms of investment which bring about immediate increases in output, began to increase in 1870 or around the same time as per capita output. It was only when investment in public works and durable producer goods began to increase that agricultural investment contributed to the increase of per capita output. Up to 1890, however, durable producer goods were mainly in the form of materials and plants for the sugar industry. Afterwards, the higher rate of growth experienced is attributed to investment in transport (the extension of the railway in the 1890's and the building of new roads); public utilities; and some non-sugar manufacturing industries. In the 1920's, which is the most important period of capital formation, heavy investments were made in the sugar industry.¹⁷ The importance of the sugar industry, an export industry, in the economic development of Jamaica can be fully realized from this.

Public expenditure for public works was not great during the period under consideration and this was because government was looked upon to fulfill only a minor role in the economy. Government expenditure was around 7 per cent of gross domestic product for the greater part of the period. This is shown in Table 18.

¹⁷Ibid., pp. 359-360.

TABLE 18

THE SHARE OF THE PUBLIC SECTOR IN GROSS DOMESTIC PRODUCT

Year	Expenditure excluding Transfer Payments		Total Expenditure	
	Value £'000	% of G.D.P.	Value £'000	% of G.D.P.
1832 . . .	*381.2 (209.1)	7.6 (4.1)	415.6 (243.5)	8.2 (4.8)
1850 . . .	229.8	6.2	271.5	7.3
1870 . . .	324.4	5.7	393.9	6.9
1890 . . .	571.2	6.5	694.0	7.9
1910 . . .	695.4	6.1	970.7	8.5
1930 . . .	1,704.6	8.5	2,440.7	12.2

*Figures in parenthesis exclude defence expenditure.

Source: Eisner, Table LXXII, p. 359.

Eisner says of these figures:

What emerges from these two series is that the share of government expenditure did not fall with economic activity up to 1850, but on the other hand, also did not expand with increased output during the subsequent years . . .

What these statistics do not show, however, is the quality of the services provided. The change in government brought not only increased expenditure but greater efficiency so that, in fact . . . the value of government expenditure after 1865 increased more than the share in national income suggests.¹⁸

The change of government to which Eisner refers is the change from a representative type government to a Crown Colony type government. The whole constitutional history of Jamaica is a rather sad one in respect that after emancipation and up to 1865 it was marked by constant bickerings between the House of Assembly and the governor which resulted in little positive policy. Jamaica was governed by a representative system up to 1865 which provided for a nominated legislative council and an elected House of Assembly, suffrage for this being based on property and wealth. It was in essence representative

¹⁸Ibid., pp. 359-360

only of the 'plantocracy'¹⁹ and the commercial class. The legislative council was allowed to legislate on internal affairs but required Imperial confirmation of its acts before they came into force. The governor's duty was to uphold Imperial interest and execute Imperial policy. This made him the natural enemy of the assembly anytime there was a clash of Imperial and local interests. After emancipation, the Imperial government saw the need to introduce social reforms to which the assembly was opposed and this resulted in clashes between the governor and the assembly. Matters came to a head with the imposition of the Sugar Duties Act of 1846. The pessimistic attitude that resulted from this Act caused the House to consider a policy of reduction of public expenditure. A retrenchment crisis followed which revolved around the assembly's determination to reduce official salaries and terminate expenditures on some services such as health, and, the Imperial government's refusal to permit this. Revenue Bills were disallowed and consequently none were enacted. By 1853, the island was in a sorry state-- official salaries were in arrears and there were many liabilities. The Imperial government had to advance a loan to meet the deficit and at the same time made use of the opportunity to change the constitution. Although the new constitution of 1854 established an executive committee responsible for all financial bills, it failed to tackle the main problem: the ability of an opposing faction to retard or prevent legislation from being carried out. In 1865, due to widespread dissatisfaction with existing conditions, there was an outbreak of violence at Morant Bay which was cruelly and swiftly suppressed by the governor, Edward Eyre. The House of Assembly was persuaded to surrender its constitution and in 1866 Crown Colony government

¹⁹This term refers to a distinct "planter class" or plantation owners which socially and economically was the highest class in the island.

was introduced and this was retained until 1944. This was a blessing in disguise for Jamaica's peasantry because many social reforms could now be introduced regardless of the opposition. This accounts for the increased public expenditure after 1870 (Table 18).

The government's sources of revenue were mainly from indirect taxes; customs, excise, stamps, Post Office surplus, public utilities surplus and railway surplus. Of these, customs duties were well over 50 per cent of all the revenues collected throughout the period (except for 1832). As for direct taxes, there was no income tax in Jamaica until the 1920's, and the only direct tax was a property tax.²⁰

Conclusion

The growth of the Jamaican economy, which should be treated from the 1850's after the initial set back of emancipation and the Sugar Duties Act of 1846, was quite small. In terms of the rate of increase of G.D.P. it probably was less than 1 per cent a year. Exports were, nevertheless, the main agent of growth in the economy and this is substantiated in the text mainly by the contribution of exports to G.D.P. and to the relationship between the growth of exports and the growth of G.D.P. in the periods studied. Both private investment and government expenditures played relatively minor roles in comparison. Government expenditures were below 10 per cent of G.D.P. for the greater part of the period covered.²¹ It, however, provided some necessary social services such as health and education which are invaluable to any economy. Private investment too, was also below 10 per cent for the greater part of the period. Although exports had declined in importance over the hundred years, private investment and

²⁰Ibid., Table LXXIV, p. 369.

²¹Ibid., Table LXXII, p. 359.

government expenditures had increased and these three agents working together were responsible for the growth of the economy.

This chapter has outlined the changes in the relative magnitudes of the Jamaican economy and they have been found to be quite small considering the length of the period covered. Because of this poor performance, trade as an agent of growth was not very effective. This is attributed to the very many problems faced by the trading sector during the period. These problems are attributed mainly to changes in the export sector and to the degree of fluctuations in the export markets which were influenced by the commercial policies of the great consuming nations especially in regards to sugar. The reasons for these aspects of trade and the actual historical account of this sector and its effects on the economy as a whole will be discussed in the following chapter.

CHAPTER 3

INTERNATIONAL TRADE IN THE ECONOMIC DEVELOPMENT OF JAMAICA 1830-1930

The economic history of Jamaica can be seen as a continuous series of alternating tendencies towards sugar monoculture and diversity of production.¹

Douglas Hall

This classic statement is very appropriate for the hundred years of growth that are considered in this chapter. I shall concern myself mainly with the fortunes of what are considered the staple exports of the whole period, sugar and bananas. Little attention will be paid to the fortunes of minor exports unless they exerted at sometime or other considerable influence on the economy; for example, coffee did to some extent early in the nineteenth century and later logwood exports.

The chapter is divided into two main sections, A and B. Section A deals with the era from the 1830's to 1870. It was an era in which sugar was truly king but this industry and indeed the whole economy experienced violent shocks due to emancipation and the introduction of Free Trade. This section will be divided therefore into three periods which will treat with the immediate pre-emancipation years; Emancipation and Free Trade.

Section B deals with the era from 1870 to 1930 which experienced the deposition of sugar by the banana industry. It was also an era in which the economy endeavoured to immunize itself against the dampening effects of fluctuations in world markets by negotiating various trade agreements with the United States prior to World War I and with Canada and the United

¹Douglas Hall, Free Jamaica, New Haven: Yale University Press, 1959, p. 31.

Kingdom afterwards. The experiences of the trading sector will be analysed in the following periods: From 1870 to 1890; From 1890 to 1910; and finally, during the war and post war years. These three periods deal in the main with the respective fortunes of the sugar and banana industries.

A. The Jamaican Economy from the 1830's to 1870

Though this study is mainly concerned with post-emancipation Jamaica it is necessary to have some idea of the economy in the immediate pre-emancipation era. Certain changes which were accentuated as a result of emancipation were already apparent. For example, sugar production was on the decline. This was due to a combination of a smaller labour force and falling prices which were caused by increasing competition from other sugar producing countries. Eisner attributes the smaller labour force to the abolition of the slave trade in 1808. She says:

The slave population began to decline after 1808 and in the years 1817-34 alone fell by 10 per cent. Half of the decline in sugar exports in this period can therefore be attributed to the smaller labour force. In addition, the high prices ruling during the Napoleonic Wars had stimulated production beyond the normal geographical boundaries of sugar planting. The record crop of 1805 was not again approached for another 140 years and then only as a result of considerable technical progress.²

Falling prices were due to changes in the Sugar Duties which in 1826 and later in 1836 removed protection of West Indian sugar against other British producers such as Mauritius and East Africa. Sugar production fell from a high of 1.7 million cwt in 1820 to 1.4 million cwt in 1830.³ These respective changes: the decrease of the slave population and labour force; and changes in the Sugar Duties, were but a foretaste of the real problems to be experienced after emancipation. These were: (1) a shortage of labour; and (2) the advent of Free Trade.

In 1832, the total value of domestic exports amounted to 44 percent of

²Eisner, op. cit., p. 247.

³Ibid., p. 246.

G.D.P. (Table 11). This percentage was even higher in the 1820's when sugar production was at its peak. Sugar and its by-product, rum, accounted for over 70 per cent of the exports of the economy--sugar contributing 59 per cent and rum about 13.7 per cent. The only other export crop of any significance whatever at the time was coffee. So, up to the 1830's, the Jamaican economy was characterized by a dependence on sugar and rum exports. It can be cited as an example of a monocultural economy despite the presence of coffee exports because the economic fortunes of the island ebbed and flowed with the fortunes of the sugar industry. This state of affairs lasted for the greater part of the nineteenth century.

The geographical pattern in the 1830's was mainly with the United Kingdom (Table 14). As a colony, Jamaica had little say in its choice of markets. Trade was governed by the Navigation Laws which were mercantilist in nature and which compelled the colonies to trade with the mother country. This relationship was not as disadvantageous to the Jamaican economy as might appear at first glance because the United Kingdom offered protection to West Indian produce which secured for the islands higher prices than elsewhere. On the other hand, it tended to discourage British West Indian producers from being efficient by keeping up with the improvements of the times.⁴ The result is that Jamaican producers were notoriously inefficient by world standards and this accounted for the trying times they experienced with the introduction of the various sugar duties, especially with the Sugar Duties Act of 1846. The Navigation Laws were, however, amended from time to time due to economic or political expediency and so restrictions on trade with the United States, which offered West Indian producers a relatively near and

⁴French and Cuban producers in the West Indies were much more efficient than their British counterparts.

expanding market, were sometimes relaxed. This accounts for the rising volume of trade with the United States from the early 1830's.

This, in general, was the state of the Jamaican economy just before emancipation. It was an economy in a state of change, experiencing gradual changes of an economic and social nature. The economic changes were due to falling prices in sugar and increased competition. The social changes were due to an apprenticeship scheme which started in 1834 and which was intended to ease the transition of the slaves from their state of slavery to complete freedom. A master-slave relationship was to be replaced by an employer-employee relationship without disturbing the economic structure of the plantationized economy more than was absolutely necessary. It was hoped that there would be no scarcity of labour for plantation work after emancipation and that the necessary change would simply entail wages for the ex-slaves. In short, the economy made every effort to make the social changes over which it had some control from slavery to emancipation as painless as possible. It did not, however, have any control over the economic forces.

Emancipation of Slavery 1838

In 1838, slavery was abolished in all British colonies. Its abolishment brought about dramatic changes in the economy. The most dramatic was the outright failure of the apprenticeship scheme as the immediate effect of emancipation was the exodus of ex-slaves from the plantations and from the work which they associated with their former state. Labour had changed from being purely investment. It now became a separate factor of production and was now in a position to bargain for wages and to accept or reject work as it saw fit. The freedmen preferred in the majority of cases to work for themselves on small plots of land rather than on the estates. These small plots were

acquired in a number of ways:

One sprang from the previous practice of planters to reserve that part of the estate which was unsuitable for cane-growing for provision planting. These 'parcels', under changed conditions, were rented to labourers as part remuneration. But much animosity was caused by the system and planters became willing to sell in an attempt to pacify the labourers and to encourage them to remain near the property.⁵

This willingness on the part of the planters to sell their land ceased when it became obvious that the independent labourer gave priority to his own land but a large number of small plots had already been acquired.⁶ Another movement of independent ownership was encouraged by the missionaries. One of these in particular, a Baptist minister, William Knibb, purchased land from 1838 onwards and established complete villages--later known as the free village system.⁷ Every attempt was made by the House of Assembly to discourage small scale settlement but this was disallowed by the home government. By 1842, the number of such villages was between 150-200 comprising a total acreage of about 100,000.⁸ The new peasantry enjoyed some prosperity and independence in the early years but in 1844, a severe drought reduced the yield of their crops (mainly ground provisions for the domestic market--the plots were, on the whole, too small and uneconomical for the production of crops for export) and caused great hardships to the peasantry. Many of them had to resort to estate work once more. In 1845, Knibb died. Another means of obtaining land was by squatting. There was a lot of land available in the island for this

⁵Ibid., p. 210.

⁶Mrs. Eisner states: "In 1838 there were already 2,114 persons with holdings of under forty acres each. Three years later, the number had increased to 7,919 and by 1845 the numbers owning holdings of less than ten acres had reached 19,397". Ibid., p. 210.

⁷Knibb's object "was not the creation of a self-sufficient peasantry but rather to provide a solution to the hardship caused by the planters attempt to extort extra labour by charging exorbitant rents against wages. By providing him with a small free-hold the settler could go to any estate he pleases to work, and to return home to his family when he had fulfilled as a hireling his days employ". Ibid., p. 210.

⁸Ibid., p. 211.

purpose but this entailed considerable work as the land had to be cleared first before any cultivation could begin. Despite this, it appears that there was great activity in this area.

On the whole, it would seem . . . that squatting was extensive already in 1846 and although we have not been able to calculate any figures it seems reasonable to assume that the peasantry at this time may have numbered at least 30,000 and probably more and, since the number of free holds had not increased materially since 1849, squatters must have numbered about 10,000 or more.⁹

We have seen that the labourers after emancipation preferred to be independent of estate or plantation work if that was at all possible. The first great effect of emancipation was therefore a shortage of labour for this kind of work. One would have thought that this labour shortage would have been reflected in a sharp rise in wage rates. This was not the case and according to Eisner's estimates wage rates actually decreased.¹⁰ The planters seemed to have utilized every other method short of increasing wage rates. Hall says:

The answer to a reduction in an agricultural labour force is to attempt to maintain the volume of production by substituting animal and mechanical power for human effort, and to increase the average productivity of the remaining labourers. The planters continued to stress their need for labourers, and to complain that the shortage of labour made wages high, but at the same time they took up the challenge inherent in the new situation.

The plough and the harrow, both great savers of labour, were for the first time brought into general use throughout the island. Two conditions were prerequisite: first, capital resources; secondly, the will to experiment. It was suggested by many contemporary observers that the former proved the greater handicap. Those who could afford the new methods were generally willing to try them.¹¹

To cure the labour shortage proposals were made to encourage immigration.

⁹Ibid., p. 215.

¹⁰Ibid., Appendix III. The wage rates of predial workers per day was at 7d-1s.2d in 1838, 1s.2d-1s.9d in 1841; 1s-1.6d in 1861; 6d-1s.6d in 1910; 3s-6d in 1920; 1s.9d in 1932.

¹¹Hall, op. cit., p. 27.

The great difficulty here was a matter of finding a suitable source. There was some immigration from Europe between 1834-1845 but this was quite small.¹² In 1840, permission was granted by the Imperial government to introduce free or liberated Africans to work in the island. The response here was quite small although many slaves liberated by British warships in the Caribbean, remained in the West Indies. In 1854 permission was granted to recruit East Indians as indentured servants. Since 1842, Eisner points out that:

The select committee on Relations between Employers and Labourers had estimated the labour requirements of sugar estates at 24,600 and that of coffee estates at 9,600. In fact, between 1845 and 1857 . . . only 4,550 indentured East Indians arrived in the island . . . and, with the exception of the arrival of 472 Chinese in 1854, immigration ceased altogether until 1860.¹³

The failure of the East Indian scheme was due to the high transportation cost and also to the fact that in 1844 a severe drought brought hardships to the peasantry and necessity forced many to seek employment on the estates. The Sugar Duties Act of 1846 placed the planters in such economic straits that further immigration became economically unfeasible.

Other great changes were being made in the economy after emancipation. There were efforts towards diversity of production for export concomitant with the methods described to improve productivity. Diversification, however, was no simple matter. Hall reports that:

Attempts to diversify the economy fell under three general headings: First, there were the efforts made to revive old agricultural industries, but the very fact of their earlier decline or abandonment augured slight chances of success. Secondly, there were attempts to develop quite new enterprises, and here the key factor was the availability, or otherwise, of hitherto unworked resources. Thirdly, and largely dependent on conditions in other existing industries, were the proposals to launch

¹²Eisner says: "The great attraction of the temperate zones left few sources of supply. Between 1834 and 1845 only 2,698 immigrants from Great Britain, 1,038 from Germany and 91 from Madiera arrived in the island., op. cit., p. 141.

¹³Ibid., pp. 143-144.

ancillary service industries.¹⁴

All these ventures depended on the availability of labour and capital for success. Capital did not appear to be as scarce a factor in this period as it was to be in later ones after 1846. Many ventures were able to obtain capital either from at home or abroad. Nevertheless many new ventures failed. Unsuccessful attempts were made at copper mining, silk production, and tobacco cultivation.

Improved transportation was also considered as a means of cutting costs. In 1844 there was a Jamaican Government Act authorizing the first railway. The undertaking was to be a private one, the capital to be subscribed for in England. In November 1845 a single line railway was opened. It was thirteen miles long and joined Kingston to the Angels. The actual cost of this railway was \$222,250 which was far in excess of its expected cost.

By 1845, although the importance of the export sector had declined rapidly with the fall in exports, it was responsible for many of the important changes taking place in the economy. Because of instability in the sugar market, the need for diversification became evident. Brave and imaginative attempts were made in this direction and it was unfortunate that these were hampered either by a lack of sufficient capital or forces beyond human control. Hall says rather fittingly of this period:

With the possible exception of the present period since the ending of World War II, Jamaicans have never been so alert and enterprising as they were during the first few years of the post emancipation era, between the ending of slavery and the first decisive steps of the British Government in 1846 towards free trade in sugar.¹⁵

Free Trade

In 1846 the Sugar Duties Act was passed by the Imperial Government. This proposed the abolition of all protective duties on sugar over a period of

¹⁴Hall, op. cit., p. 121.

¹⁵Ibid., p. 18.

eight years so that by 1854 there would be complete free trade. This had very dramatic results in Jamaica. In the first case, the economy had hardly recovered from the full effects and implications of emancipation when this Act was passed. Besides, although the price of sugar had declined since 1840 to about half its price by 1846, the only reason it did not decline more was because of the preferential duties imposed on colonial sugars by the Imperial Government. Now, these duties were to be removed and Jamaica found itself, for the first time, exposed to the full blast of world competition. Many marginal estates were forced to discontinue production and many others ran into serious debt--these became encumbered estates. Hall points out that:

Hill side estates or those in the interior could hardly survive. Respectively they suffered from inability to introduce the plough and from high costs of transport to and from the wharves, which increased the prices of equipment and various estate supplies as well as the costs of sending produce for shipment.¹⁶

Estate abandonment was not a novelty but never before were estates faced with such monumental problems.¹⁷ To make matters worse, there was a financial crisis at the time there was an industrial depression in England which resulted in the failure of many merchant houses and of the West India Bank.¹⁸ The great impact of both these crises can be realized by the reduction in exports during the period. By 1850 (Table 2) the value of exports had reached its

¹⁶Tbid., p. 81.

¹⁷Mrs. Eisner points out that between 1846 and 1852 a further 86 sugar estates were abandoned. By the time the Jamaican sugar planters had to face free trade, in 1854, the most uneconomic estates had been eliminated and survival of the remainder from hence forth depended on their ability to keep abreast of technical improvements. Eisner, op. cit., p. 199.

¹⁸In the twelve months from August, 1847, thirteen West India houses went into liquidation, and in 1848 the failure of the Planters Bank added to the confusion. Credit was unobtainable and investment virtually at a stand still. Ibid., p. 198.

lowest of £770,900 in constant prices and accounted for only 15.3 per cent of the G.D.P. which stood at a low of £4,886,500.

From the 1850's conditions took on a brighter aspect. Despite the lowering of duties, prices of sugar, coffee, and rum began to rise from 1853 as world demand for these products strengthened. Eisner gives reasons for this stating that the worst fears of a West India sugar and coffee Planting Committee appointed in 1846 were not realized. This committee estimated that competition with slave grown sugar in Cuba and Brazil would force the price of sugar down to 15s per cwt which was well below the production cost in Jamaica:

Subsequent events, however, proved this estimate wrong. Increasing population and rising living standards in the United Kingdom actually caused prices to rise once the worst phase of the 1847 slump had passed. The London C.I.F. price of sugar rose from its depth of 20s per cwt in 1848 to 34s in 1857.¹⁹

Estate production ceased to decline and exports actually increased. This rise in exports is attributed to the expansion of peasant production of coffee and other products.²⁰ For sugar estates that had survived the crises, labour ceased to be a problem as there were fewer opportunities for land settlement and there was a rapid population growth after 1844. From 1854 to about 1864 sugar exports were stabilized around half a million cwt. During the 1850's - 1860's, the value of exports continued to rise and Eisner attributes this mainly to changes in the composition of exports.²¹ This period is indeed indicative of the attempts towards export diversification by which a greater degree of stability could be realized than would have been possible if this sector remained a monocultural one based on sugar. Eisner

¹⁹Ibid., p. 248.

²⁰Ibid., p. 237. . . . Also see Table XXXVII, p. 234. The share of the peasantry in export crops was about 10.4 per cent in 1850.

²¹Ibid., p. 237.

reports:

The share of sugar in exports had fallen to less than 45 per cent in 1870 from nearly 60 per cent in 1832 . . . Coffee exports, on the other hand, had risen to over 14 per cent after their sharp decline to 10 per cent in 1850 but the biggest increase had taken place in the share of the minor products.²²

So, after the initial disasters in the economy which lowered exports and G.D.P. up to 1850, conditions began to improve as the prices of many exports rose from the 1850's onwards and because of greater diversification in the export sector than formerly. There was very little economic growth, however, in the economy and economic activity was subdued due to very little available capital. Loans were made to the planters but these were used to increase productivity on the estates. In 1852 a loan of £100,000 was made available from the United Kingdom and this was immediately disposed of. In 1861, the Jamaican legislature introduced the "Encumbered Estates Act" which made it possible:

For an encumbered estate to be summarily sold by judicial decree, on the application of the owner or encumbrancer. The price received would be divided by a competent tribunal among the various parties entitled by their claims to a share of it. Finally, the new purchasers would receive the estate free of any encumbrances by means of a special Parliamentary title.²³

By 1864, over thirty estates were disposed of under its regulations.

The sugar industry had experienced the most telling changes since emancipation. This industry had increased its productivity throughout as sugar estates made remarkable progress in achieving the level of efficiency that they had by the end of this period. Their main method was increased technology which had to compensate not only for increased labour cost but persistently falling prices. Further difficulties were in store for the industry as European countries began to stimulate beet sugar production by

²²Ibid.

²³Hall, op. cit., p. 116.

bounties and tariffs. Cane sugar still supplied over 80 per cent of world production but this began to decline from then onwards.

In 1865 the Morant Bay uprising led to Crown Colony status for Jamaica. The economic significance of this was that from now on the government could make some of the social investments which were necessary for the economy. In chapter two it was realized that government had played a minor role in the economic development of the island when a representative type government existed and a more positive and increasing role came with Crown Colony status.

B. The Economy from 1870 - 1930

By 1870, the economy had recovered from the impact of emancipation and the Sugar Duties Act of 1846. G.D.P. after sinking to a low in the 1850's actually began to rise and by 1870 was above its 1832 level (Table 1). The trading sector had declined in importance in the economy since 1832 but was, however, undergoing healthy changes towards greater diversification which enhanced its potential as an agent of growth. At least, it hardly seemed likely that its influence would be curbed by shattering forces such as emancipation and Free Trade again and as such it should be able to impart greater growth in the economy after 1870 than it had over the last thirty years. We can now analyse the effectiveness of the trading sector and the changes that took place in this sector from 1870 to the 1930's.

1870 - 1890 The Decline of the Sugar Industry

The decline of the sugar industry in Jamaica was a result of the inroads that beet sugar production made on the world sugar market. Britain, pursuing its Free Trade policies, imported more bounty fed beet sugar than cane sugar.

The mother country purchased increasingly from the continent where sugar could be purchased at exceptionally low prices, lower than the cost of production. The bounty competition had become so keen, in fact, that

support of the beet sugar industry was a serious drain to the treasuries of the producing countries.²⁴

The loss of the British market was a severe blow to colonial producers. West Indian producers were, however, in a more fortunate position than most because they were able to turn to the United States market where restrictions of a revenue nature on sugar, coffee and spices, which were imposed during a financial crisis in the 1850's and the civil war in the 1860's, were gradually removed. These restrictions did not affect logwood exports which were treated as raw materials and the Jamaica fruit trade which was in its infancy because this trade was first developed by Americans and as an American concern was exempt from import duties.²⁵ The gradual removal of restrictions resulted in a United States orientation of Jamaica's trade and by 1890 about 83 per cent of Jamaican sugar and most of her other exports went to the United States (Table 14).

The acquisition of the United States market did not, however, alleviate the state of the sugar industry in the island to any great extent because it experienced persistently falling prices due to conditions in the world sugar market. The industry had not encountered substantial reorganization or sufficient technological change to make it invulnerable to extensive price decreases and increased beet sugar competition caused the price of sugar to fall from 25.5s in 1873 to about half of that by 1890.²⁶ Estate abandonment again became common and sugar production decreased.

²⁴Chester Lloyd Jones, Caribbean Backgrounds and Prospects, London: D. Appleton and Company, 1931, p. 90.

²⁵More will be said of this trade in this chapter particularly in respect to the banana industry.

²⁶Eisner, op. cit., Table XLIII, pp. 244-245.

Between 1896 and 1897 the number of estates was reduced by nearly one-half from 266 to 146. Their initially straitened financial situation, together with the world-wide loss of confidence in cane sugar, made credit all the more difficult to obtain. The rapid fall in sugar prices during the eighties and nineties, moreover, led to the failure of many West India merchanting houses.²⁷

The decrease in sugar production meant a decrease in sugar exports by nearly one-half by 1890. Despite this, exports on the whole increased and did so at a faster rate than in the previous period.²⁸ The main reason for this was the rise of the fruit trade which was due to the rise of the banana industry. Exports of bananas and other fruit went to the United States and the importance of the United States market as a prop to the Jamaican economy, after it had been virtually abandoned by the British market, during this period and the next cannot be lightly regarded.

Banana exports alone rose in value from £0.9 thousand to £319 thousand or from 0.1 per cent to 19.1 per cent of G.D.P. (Tables 6 and 7). The banana was not a new crop to Jamaica but a new export.

The history of the banana as an export crop begins in 1896 when Captain Baker, an American sea-captain, took the first shipload of the fruit to the United States and thus demonstrated that the fruit could be marketed in temperate climates in good condition. From that time onwards, combining later with others to form the powerful United Fruit Company, he organized a regular freight service to carry bananas to the United States.

The banana industry was developed at an opportune time when the sugar industry was declining. In fact, to some extent, its rapid development from henceforth can be attributed to this. The banana was ideally suited for Jamaica. It had a short growing period, required relatively little work (mostly weeding and irrigation) and could be cultivated even on hill sides and the slopes of mountains. It therefore required little capital and because of this it could be grown successfully not only on large estates but also on small plots. It

²⁷Ibid., p. 201.

²⁸Chapter 2, p. 40.

²⁹Fisner, op. cit., p. 255.

became a popular 'cash crop' of the peasantry. The banana suffers from two main disadvantages. The first is its inability to withstand hurricanes and the second is its susceptibility to diseases. Jamaica lay within the hurricane belt and so could be subject to this force anytime during the hurricane season. These two disadvantages did not pose problems for the industry until a later period when it was well established and bananas had superceded sugar as the main export crop.

Estate abandonment stopped with the introduction of extensive banana cultivation because many sugar estates which had become marginal or which were unsuitable for sugar production were suited for banana cultivation. On the whole, the banana industry revolutionized Jamaican agriculture and the full impact of this industry on the economy will be discussed in the subsequent period.

1890 - 1910 The Rise of the Banana Industry

During this period, the trends which were established in the previous period (1870 - 1890) continued: the sugar industry experienced further decline; the banana industry increased rapidly; and the United States orientation of Jamaica's trade continued.

The sugar industry in face of severe beet sugar competition continued to decline despite more concerted efforts than formerly to increase its productivity. The two main methods employed to attain this were amalgamation of estates into larger units and the establishment of central factories.³⁰ Amalgamation came as the first step towards the setting up of the factories because of the considerable capital required for this which was above the means of individual estate owners. The sugar industry was in a severe state and there was little confidence in the future of this industry. In 1897, a

³⁰Ibid., p. 204.

Royal Commission which visited Jamaica found that the sugar industry was in danger of practical extinction. The United States market offered the only respite left to Jamaican producers. This was because the United States decided to restrict the entry of bounty fed beet sugar. Here, "countervailing duties on bounty fed sugar and higher freight charges for beet sugar from Europe kept prices above those ruling in the United Kingdom".³¹ Various attempts had been made under reciprocity provisions of different United States tariffs to secure closer relations between the United States and the British West Indies. A short lived treaty was concluded under the McKinley Act of 1890 but came to an end when the United States reimposed its duty on raw sugar in 1894; a further treaty was negotiated three years later but failed to secure the approval of the United States Senate. Nevertheless, up to 1901, Jamaican sugar was able to secure a market in the United States. This market was cut off with the annexation of Puerto Rico by the United States and the duty free admission of Puerto Rican sugar whilst sugar from Cuba and the Philipines were granted preferential treatment. As a result the confidence in the sugar industry was badly shaken and the share of Jamaican sugar sent to the United States declined. By 1902, the price of sugar was at an all time low of 7s.3d per cwt (London C.I.F.)³² and with it the confidence in the future of the industry. Fortunately in 1903, the Brussels Conference Agreement of 1901 came into force and restored new confidence in sugar. Since 1875, with the first conference at Brussels followed by two other conferences in 1889 and 1898, attempts were made by Britain, France, Belgium and Holland to come to some international agreement on sugar but without much success. Finally a new conference was held in 1901 and was attended by eleven European countries.

³¹Ibid., p. 248.

³²Ibid., p. 249.

The conference agreed to abolish all direct and indirect bonuses, to require that all sugar be refined in bond--to avoid the possibility of making profits out of drawbacks--and to give all contracting parties security against outside competition by imposing countervailing duties on bounty-fed imports. The agreement was subsequently ratified and came into force in 1903.³³

World production in sugar was too excessive of world demand for the agreement to make any great improvement in the prices of sugar. It did, however, result in a more rapid increase in world production of cane sugar in comparison to that of beet sugar.

The banana industry fared well during the period as it experienced a remarkable increase in production. Banana exports increased their share of total exports steadily and this was responsible for the increased trade with the United States up to 1910 despite the loss of the United States sugar market. By 1910, United States imports from Jamaica were up to 44.1 per cent whilst exports accounted for 59.3 per cent (Table 14). The banana trade was a profitable concern for the economy. It was also responsible for greater diversification in the export sector as it fostered the cultivation of other fruit for export. Eisner says:

With the development of the banana trade, attempts were also made to promote the exports of other fruit. Oranges were indigenous to the island but their cultivation was neglected until a subsidized steamer service made exports to the United States possible. Even then the development was slow in comparison to the banana trade.³⁴

This was because competition from Florida's orange producers reduced the opportunities for Jamaican oranges whilst a lack of markets hindered the large scale development of grapefruit cultivation. Bananas were thus the undisputed monarch of the fruit trade and became Jamaica's leading export. The industry induced great changes in the agricultural sector of the economy. Eisner estimated that for 1890 the gross returns to planters (deducting prime costs only) from banana planting was at 47 per cent of the total value of

³³Ibid., p. 251.

³⁴Ibid., p. 256.

estate output compared with 31 per cent on sugar estates.³⁵ She remarks that "since capital charges were a much heavier burden on sugar estates it will be seen that, of the two, banana estates were much the more profitable undertaking".³⁶ Another feature introduced by the banana was the mixed cultivation of sugar cane and bananas on many estates. The industry caused an extension in the use of land as bananas were cultivated on land long abandoned or on land never before cultivated. Because of its relative profitability, capital was readily available for its cultivation.

The difficulties of raising capital for sugar did not apply to banana cultivation. Once the banana was adopted as an estate crop expansion was rapid. In 1893 there was already 113 estates, and by 1910 the number reached 435.³⁷

Of the 113 estates in 1893, the Boston Fruit Company, the predecessor of the United Fruit Company, owned only 15. The main supply of capital came from private internal sources as the savings of individuals and the profits from trades and professions were invested in bananas. The peasantry cultivated bananas in increasing quantities as an export crop (they also produced coffee of a poor quality and logwood for export) and increased their share in exports.³⁸

The banana industry had its share of problems. Like sugar, it faced fluctuating and falling prices but these did not affect the growth of the industry as they affected the sugar industry. They were to some extent, compensated by increased production up to 1906. Eisner reports:

In 1884 exports exceeded 1 million stems and by 1901 had increased eleven-fold, in spite of a slow downward trend in prices from 2s per stem in the early 1880's to 1.5s at the turn of the century. Prices, however, began to fall more rapidly during the first decade of the twentieth century and as a result exports ceased to expand after 1906 and remained stable at around 16 million stems until the outbreak of war.³⁹

³⁵Ibid., p. 205.

³⁶Ibid.

³⁷Ibid., p. 205.

³⁸Ibid., p. 234.

³⁹Ibid., p. 256.

World War I and Post War Years 1910 - 1930

The trends in what can be considered Jamaica's staple exports sugar and bananas were reversed during the war years but afterwards the pre-war pattern asserted itself again. We shall take a look at the fortunes of both the sugar and banana industry respectively and then introduce the tourist industry which was one that experienced considerable expansion after the war.

The Sugar Industry

We have seen that since the 1880's, and even before, measures were introduced such as the amalgamation of estates and the establishment of central factories for the purpose of securing greater productivity in the sugar industry. These measures which had become general since the Brussels Treaty of 1901 restored confidence in the fortune of sugar. Shortly before the outbreak of the war, these changes became more daring but even then did not succeed in stemming the tide towards banana production and away from sugar. Conditions however changed during the war as the banana trade was disrupted due to lack of shipping facilities and three devastating hurricanes.

The decline of the banana industry accompanied by increasing prices for sugar, as the most important European beet producing countries became battle fields, contributed greatly to the expansion and growing prosperity of the sugar industry during the war. Acreage under sugar cultivation was greatly expanded, and modern central factories were set up. From 1914 to 1919 Jamaica's exports of sugar rose from 308,000 cwt to 753,000 cwt or by more than 100 per cent.⁴⁰ In 1920 the sugar crop was valued at £3,000,000, the highest recorded since the Napoleonic wars.⁴¹ The peasantry also participated to an increasing degree in sugar cane cultivation and supplied sugar

⁴⁰Eisner, Table XLII, pp. 242-243.

⁴¹The Daily Gleaner Independence Supplement, Jamaica: July 21, 1962, p. XXXIV.

cane on a contractual basis to the factories. At the same time, from 1919, sugar received some preferential treatment which seemed to augur well for its future after the war.

World War I--was followed by closer trading connections between Empire countries. Preferential tariffs with the United Kingdom came into force in 1919, and a year later Jamaica signed a reciprocal trade agreement with Canada. Under this Canada undertook to admit colonial produce at half the duty imposed on foreign produce and Jamaica to grant a preferential reduction of at least 25 per cent. By 1930 most of the sugar and coffee was sent to Canada, while imports of fish and flour from Canada were increasingly substituted for those from the United States, and those of condensed milk replaced previous imports from Germany.⁴²

The "sugar boom" did not continue after the war despite the preferential agreements. Jamaican sugar was only able to enjoy a short period of post war prosperity--the short inflation period of 1921. European beet sugar production recovered rapidly after the war due to governmental encouragement and imposition of protective tariffs in the respective countries. In 1921, the sugar market collapsed and sugar prices again fell rapidly.⁴³ "Between 1923-29 an unmarketed surplus of $3\frac{1}{2}$ million tons had been accumulated in the world and a further 1.2 million tons had been added a year later."⁴⁴ A West Indian Sugar Commission was appointed by the United Kingdom Government to enquire into the causes of the depression and to advocate measures to place the sugar industry on a better footing. The Commission concluded that the defects of the sugar industry were not inherent in the industry itself but were due to the competition of protective tariffs, bounties and subsidies. Under such conditions the Committee saw little prospect for an early restoration of the market prices of sugar which would have enabled the maintenance

⁴²Eisner, op. cit., p. 276.

⁴³Year Sugar s per cwt
1920 58.0
1921 19.5
1931 7.75

Source: Eisner, Table XLIII, pp. 245-246.

⁴⁴Ibid., p. 252.

of the present rate of production without loss to unprotected or unsubsidized producers. Before the report of the Commission was published, the Jamaican Government granted a temporary relief of £2 per ton for the 1930 export crop and a subsidy of £60,000 in the following year. The W.I.S.C. report resulted in further assistance in the form of preferential colonial sugar certificates. The world price of sugar continued to fall in the early thirties due to tariffs and increasing world production. This finally led to the International Sugar Agreement of 1937 which introduced quotas on producers. In 1934, the United States had already introduced a quota system under the Jones-Cortigan Act to limit sugar production in the American dependencies. The International Sugar Agreement was designed:

to regulate supplies of sugar to the 'free market', by which was meant that part of the international trade in sugar not regulated by bilateral or other preferential agreements. Each country was allocated to an export-quota adjusted yearly, so that total exports should cover world requirements at a reasonable price. Importing countries agreed not to expand domestic production beyond certain levels, and producing countries not to increase production without general consent.⁴⁵

We have seen that sugar was in difficulty after the war as the industry was affected by ever increasing production and competition from beet sugar which decreased prices. These would have decreased to an even lower level than they did had it not been for the introduction of preferential tariffs and subsidies and finally a world wide Sugar Agreement based on quotas. The Jamaican sugar industry was at a low ebb and the revenue obtained from this industry was small. Once again the economy turned to the banana industry.

The Banana Industry

During the war, and for reasons previously discussed the banana industry waned as banana exports decreased nearly eightfold in three years--from 16.2 million stems in 1914 to 2.4 million stems in 1918. It increased to about 9.8

⁴⁵Mary Proudfoot, Britain and the United States in the Caribbean, London: Faber and Faber Ltd., 1954, p. 53.

million stems by the end of the war but it was during the post war years that the industry rose to a prominent position again. By 1926 production had surpassed the highest pre-war level of 16.7 million stems in 1909.⁴⁶ By 1930 bananas accounted for more than half of total domestic exports (Table 7).

It was during the 1930's that the banana industry experienced its golden era. The importance of this era to the economy can be realized from the following quotation.

Over the 1931 to 1939 period more than fifty-three per cent of Jamaica's overseas earnings came from banana exports, and even more crucial, three quarters of the exported fruit came from small farms--farms of under thirty acres in size. The personal efforts of thousands of these farming communities crystalized year after year during the whole era into a realization that meant some forty per cent of Jamaica's export earnings.⁴⁷

The industry superceded sugar as the largest employer of labour during this time, and like sugar, had its share of difficulties. In 1933 three hurricanes devastated the crop. There were also marketing difficulties which led to the establishment of two companies: the Jamaica Banana Steamship Company Ltd., and the Jamaican Producers Marketing Company Ltd. Both these companies vied for the fruit of the small grower and this competition was so vigorous that it was considered a banana war. A commission of enquiry was set up by the Jamaica Government in 1936 to resolve their differences and difficulties and the sitting and implementation of the findings of the commission marked the end of this war. In the very next year, 1937, banana exports reached the record peak of 27 million stems.⁴⁸

The Tourist Industry

The rise of the tourist industry was another feature of the post World War I era. Since the end of the nineteenth century, Jamaica had been attracting

⁴⁶Figures obtained from Eisner, Table XLII, pp. 242-243.

⁴⁷Independence Supplement, op. cit., p. XII.

⁴⁸Ibid.

tourists but it was only from the mid 1920's that the tourist industry began to play an important role in the economy. Cumper states that:

From that point till the outbreak of war in 1939 the volume of tourist traffic steadily increased. Statistics on the early years are not easy to find, but the number of first-class passengers disembarking may serve as an index. In the early 1920's, it stood at about 7,000 a year . . . ; from 1926 it rose to about 28,000 in 1930, 45,000 in 1934 and 64,000 in 1938. It does not appear that the number of tourists was greatly affected by the depression of 1930.⁴⁹

The revenue obtained from this industry accounted for between $1\frac{1}{2}$ to 2 per cent of national income.

For in 1938 . . . this revenue is put at £475,000, or just over 2 per cent of the national income, while for 1929-33 it is estimated at about $1\frac{1}{2}$ per cent of the national income.⁵⁰

The 1870's - 1930's marks a distinct era in Jamaica's economic growth.

It was an era in which the structural changes were small but there were significant intra-sectoral changes such as those experienced in the agricultural sector. Here, there were changes in the nature of agriculture; employment; productivity; and peasant cultivation. The economy therefore because of the little structural change depended mainly on its old traditional agent International Trade for its growth. This growth was not great due to many problems in the trade sector.

The trading sector had experienced with the exception of the war years, a persistent rise in the banana industry. Bananas had proved to be the ideal crop in many respects for the economy. Sugar continued to hold its own during the period only as a result of ever prevalent attempts at greater productivity and preferential treatment. Falling and fluctuating prices for both these exports were experienced throughout and it was only because of increased productivity and expansion of output that the total value of exports rose during the period. Nevertheless, the experience was invaluable for the

economy. It was aware of the major problems associated with its trading sector and methods to secure stability in this sector such as trade agreements and Imperial Preferences were operative in the economy during the thirties. Once such stability could be realized, the possibility of the trading sector exerting a greater influence on the growth of the economy than before was enhanced. In the subsequent chapter we shall see whether this was the case or not.

CHAPTER 4

INTERNATIONAL TRADE IN THE ECONOMIC DEVELOPMENT OF JAMAICA 1930's - 1960

In the two previous chapters the Jamaican economy was analysed after one hundred years of growth. The task that remains is an analysis of the growth of the economy from the end of the 1930's to 1960. During this period the economy experienced great changes as dynamic forces operated in the economy which resulted in a much more rapid rate of growth than formerly. An International Bank for Reconstruction and Development mission to Jamaica estimated that the rate of increase in real income per annum from 1943 to 1958 was 4 per cent.¹ Between 1950 and 1960 the rate of increase per annum averaged around 7 per cent.² Both these rates are substantially greater than any which the economy experienced in the previous hundred years and international trade played an important part in their realization.

Cumper distinguishes four main periods of change in the economy since 1938.³ His first period was the period of the war years which brought about reductions in overseas trade and an expansion of light industry. The second period from 1945 to 1950, the years immediately after the war, experienced a consumer boom which manifested itself in increased imports. The third period was the high import period of 1951 - 1952 as the economy imported some of the capital equipment necessary for the bauxite industry. The fourth period saw the advent of this industry and the continued expansion of the economy which was due partly to the expansion of this industry, partly to tourism, and partly

¹The Economic Development of Jamaica, Baltimore: John Hopkins Press, 1953.

²This is an approximation which will be explained later in the chapter.

³G.E. Cumper, The Economy of the West Indies, p. 16.

to a boom in construction. Of these four periods Cumper says:

We may tentatively suggest that each of the periods of Jamaican economic history since 1938 has contributed something to the current expansion (expansion in the late fifties). The war years showed the possibility of substituting local manufacturer for imports. The post war years raised the standard of consumption, and the early 1950's brought a sharp increase in investment which simultaneously expanded local incomes through its multiplier effect and increased the overseas earning power of the economy.⁴

This chapter will be divided into four main sections: A, B, C, and D.

In sections A and B the first two of Cumper's periods which cover the years 1938 to 1950 will be discussed. Section A deals with changes in the relative magnitudes of the economy and the agents of change, section B deals with the historical growth of the trading sector and the economy. Sections B and C deal with the same topics as A and B respectively but for the last two periods Cumper mentions which cover the years 1950 to 1960.

A. The Jamaican Economy from 1938 to 1950

Again before proceeding to the historical account of the growth of the economy some idea of the magnitudes involved during this period should be obtained. Here, therefore, the growth of G.D.P.; the changes in structure of the economy; and, the effects of the agents of change will be analysed.

Changes in Principal Aggregates

According to the Table 19, G.D.P. increased in current values from £18.6 in 1938 to £70.1 by 1960. Thorne warns us that these current value figures are misleading because of steep rises in prices and population. "It follows that we cannot use the figures as they stand as even very rough indices in the general level of living."⁵ Thorne therefore makes adjustments and comes up with the G.D.P. figures at constant 1950 prices which give us a more accurate account of the changes in real values experienced by the economy during the period.

⁴Ibid., p. 19.

⁵Alfred P. Thorne, "Size, Structure and Growth of the Economy of Jamaica", Supplement to Social and Economic Studies, Vol. 4, No. 4, December, 1955., p. 32.

TABLE 19

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN AT FACTOR COST
CURRENT VALUES: THOUSANDS OF £ STERLING

Industrial Groups	1938	1942	1943	1950
1. Agriculture, Forestry, Fishing and Mining	6,725	8,320	8,800	21,625
2. Manufacturing	1,210	1,760	2,100	7,900
3. Electricity, Gas, Water and Sewerage Service	150	359	335	760
4. Construction and Installation	650	850	705	5,300
5. Transportation and Communications				4,985
6. Wholesale and Retail Trade and Storage	4,548	8,250	10,550	10,650
7. Ownership of Dwellings	1,847	2,850	2,925	4,140
8. General Government and Defence	1,185	1,650	1,845	4,250
9. Miscellaneous Services	2,285	4,200	5,040	10,510
G.D.P. at Factor Cost	18,600	28,239	32,300	70,120

Source: Thorne, Table 10, p. 81.

TABLE 20

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
AT FACTOR COST AT CONSTANT (1950) PRICES
(VALUES IN MILLIONS OF POUNDS STERLING)

	1938		1942		1950	
Industrial Group	Value	%	Value	%	Value	%
1. Agriculture, Fishing, Mining and Forestry	27.0	(45.0)	24.0	(42.0)	21.6	(31.0)
2. Manufacturing	3.5	(6.0)	5.0	(9.0)	7.9	(11.0)
3. Construction and Installation	4.8	(8.0)	5.0	(9.0)	5.3	(8.0)
4. Public Utilities	0.2	(0.3)	0.3	(0.5)	0.8	(1.0)
5. General Government (Central and Local)	2.2	(4.0)	2.5	(4.0)	4.3	(6.0)
6. All Other Services	22.0	(37.0)	20.6	(36.0)	30.3	(43.0)
TOTAL	59.7	(100.0)	57.4	(100.0)	70.2	(100.0)

Source: Thorne, Table 12, p. 88.

Using Thorne's data, the increase in real output is from £59.7 million in 1938 to £70.2 million in 1950. There is, however, a decline from £59.7 in 1938 to £57.4 million in 1942. This decline is due to a disruption of trade during the war as the banana trade was again disrupted as it was during World War I. The rise in G.D.P. from the 1940's to 1950 was brought about by increased economic activity within the economy and increased trade after the war.

The effects of the changes of G.D.P. on the per capita incomes of Jamaicans depended on the population increases taking place during the period. The population of Jamaica increased from about 1,137,000 in 1938 to 1,403,000 in 1950, despite some emigration during and especially after the war. This population increase affected per capita incomes thus:

TABLE 21
PER-CAPITA VALUES OF G.D.P. AT FACTOR COST:
AT CURRENT YEAR PRICES AND AT CONSTANT PRICES

Year	At Current Year Prices £	At Constant (1950) Prices (real product) £
1938	16	52
1942	23	47
1950	50	50

Source: Thorne, Table 14, p. 92.

In real values, the welfare of individual Jamaicans actually decreased during the period from £52 in 1938 to £50 in 1950. This is attributed to the fact that price and population increases more than offset the increases in G.D.P. Nevertheless, the 1950 per capita value of £50 constitute an improvement over the 1942 war level of £47.

Structual Changes

Using Thorne's constant figures (Table 20) it is seen that from 1938 to 1950, there was a decrease in the real and percentage value of the primary sector in the economy. In 1938, this sector accounted for 45 per cent of the G.D.P. of the economy and was valued at £27 million. By 1950, the percentage value had fallen to 31 per cent and its value in money terms had dropped to £21.6 million. This decrease was compensated by increases in the values of most of the other sectors. Manufacturing in particular showed a steady increase from £3.5 million in 1938 to £7.9 million by 1952, increasing thereby from 6 to 11 per cent of G.D.P. The rise in manufacturing is attributed to attempts towards import substitution during the war which were continued afterwards.⁶ This increase in manufacturing activity during the war is responsible for increases in construction and installation as this sector rose from 8 to 9 per cent from 1938 to 1942 but fell again to 8 per cent by 1950. Increases were experienced in Public utilities and in services throughout the period. The service sector, in particular, accounted for a high percentage of G.D.P.--between 37 and 43 per cent. In 1950, this sector had superceded the primary sector as the greatest sector in the economy.

Agents of Change

During the war and afterwards the three agents of growth combined to play a greater role in the economy than formerly. Government expenditures and private investment experienced a sustained though gradual increase throughout. Trade, on the other hand, decreased from 1938 to 1943 then increased gradually to the end of the war and more rapidly afterwards. Thorne points out that in an economy like Jamaica's where the marginal rate of savings is small and the multiplier effect large as a result, a sizeable reduction in

⁶These attempts at import substitution will be discussed in the following section, section B.

exports could be expected to lead to a greater reduction in total product.⁷ An increase in exports would have the opposite effect. This was not substantiated by the economy during the period. The following table, in current values, shows that decreases in exports did not result in greater decreases in G.D.P. neither did increases in exports result in greater increases in G.D.P.

TABLE 22

VALUE OF IMPORTS, EXPORTS AND G.D.P.
FOR THE YEARS 1938, 1942, 1943, 1950
£ MILLION (CURRENT VALUES)

Year	Total Trade	Imports	Exports	G.D.P.
1938	11.5	6.5	5.6	18.6
1942	9.6	5.5	4.1	28.5
1943	11.5	7.3	4.2	32.3
1950	37.6	22.4	15.2	70.1

Source: Trade figures from External Trade Jamaica, 1959
G.D.P. figures from Table 19.

Thorne, however, recognized this and says that:

The movements in exports were, of course, not in every case representative of movements in total production. For, in some cases, local consumption increased; and some agricultural products were diverted in increasing quantities from export to local manufacture. For example, in 1942 shipping difficulties were affecting banana exports; but the United Kingdom made payments in respect to bananas even when they were not shipped, and local sales were in larger quantities than usual, and at what were really subsidized prices. Again, the local consumption of coffee has been increasing; and the local processing of cocoa to the 'prepared' stage increased greatly towards the end of the period. Nevertheless, these were far from full offsets to the export decreases.⁸

In other words, a decrease in the export sector was accompanied by an increase in the domestic sector. Both private investment and government expenditures

⁷Ibid., pp. 54-55.

⁸Ibid., p. 89.

were responsible for this increase. The government actually participated actively as will be shown in section B, by setting up and running some industries itself. Private investment followed suit. In spite of the changes, the productive capacity of the economy seem to have increased little. From the nature of imports, Cumper was able to estimate capital formation and found that this remained at a constant 9 per cent from 1938 to 1950.⁹ In the post war period during the consumer boom expenditure was maintained by borrowing and inadvertent government deficit financing. Private investment increased as foreign investments were made in the economy especially in the tourist industry.

In conclusion, the whole period is significant from the point of view that both government expenditures and private investment began to play a greater role in the development of the economy. Government expenditures were still below 10 per cent but they had increased from 4 per cent in 1943 to 6 per cent by 1950 in real values (Table 20). The trading sector, because of its proportion of G.D.P., was still the greatest agent of growth.

B. The War and Post War Years up to 1950

We are now aware of the changes in the relative magnitudes of the economy from 1938 to 1950. Now we can analyse the historical process of growth during the war and post war periods. Trade, in particular, experienced significant changes during the war which in many respects resembled its experiences in World War I.

The War Years

During the war years the most significant features of the trading sector were: the curtailment of trade as both exports and imports fell;

⁹Cumper, op. cit., p. 17.

and, the wartime trade agreements. Both of these had a tremendous impact on the economy.

The wartime trade agreements secured stability in the export market for Jamaican staple exports, sugar and bananas and thus liberated a certain amount of capital as a result. The curtailment of imports due to wartime restrictions necessitated import substitution measures which resulted in increases in the manufacturing sector. We shall deal with both of these results in order.

Just before the war, the Jamaican economy had obtained measures to ensure price stability in the export market of its staples, especially sugar. Mary Proudfoot reports that the International Sugar Agreement of 1937, which never actually came into operation, was superseded during the war by another agreement between the United Kingdom and the colonies.¹⁰ She points out that:

The British Government entered into an agreement by which, under a system of bulk purchasing, she imported or found a market for all her colonial sugar at prices, negotiated annually, which were based on a variety of calculations, including pre-war price levels and estimated costs of production, rather than upon the Cuban world price plus imperial preference. As a result of subsequent negotiations the United Kingdom agreed to take the whole of the B.W.I. crop on this basis until the end of 1952, although after 1950 she no longer purchased sugar for the Canadian markets as well as her own.¹¹

The result of this was that once the Jamaican producers were assured of a ready market and favourable prices up to 1952, they could safely afford to expand sugar production. This they did and during the war exports of sugar increased due to increased productivity in this industry but more so to increased acreage. This had increased from 46,000 acres in 1938 to 65,000 acres by 1943¹² and this continued after the war.

¹⁰Mary Proudfoot, Britain and the United States in the Caribbean, London: Faber and Faber Ltd., 1954, p. 53.

¹¹Ibid., p. 53

¹²Ibid.

Thus, in Jamaica, there was nearly three times as large an acreage under cane in 1950 as in 1939. It had been, in part, a result of more intensive production, made possible by successful experiments in the raising of new varieties of cane.¹³

Rum exports remained in 1945 at its pre-war 1938 level despite the fact that Jamaica had lost the German market, one of its best markets before the war..

The banana industry during the war years fared in much the same way as it did during World War I. Bananas had reached a record peak of 27 million stems in 1937 and fell from this level rapidly during the war as the trade was disrupted by inadequate shipping facilities and bananas were treated as luxury goods. The basic difference between the World War I, World War II experience was that the United Kingdom provided financial assistance during World War II to maintain production. This was done by purchasing a fixed quantity of the product regardless of whether this was exported or not. This measure did not stop the decreases in production. In fact, the great decrease in banana exports and in exports of similar products (citrus fruits, etc. and other products of little significance to the war effort) decreased the overall value of exports during the war up to 1943 despite the great increases in sugar.

The overall picture of exports during the war is as follows. The war acted as a stimulus to the sugar industry and as a depressant to the banana. Sugar exports once again began to dominate the export scene as they rose from 17 per cent of all exports in 1938 to 32 per cent ten years later. During the war it probably accounted for more than 32 per cent of the annual total exports. Bananas on the other hand dropped from 59 per cent of total exports in 1938 to a low level during the war and despite increases after the war, accounted for only 20.8 per cent of exports in 1948. The real value of exports declined during the war and with them the real value of G.D.P. as

¹³Ibid., p. 184.

shown in Table 20.

Changes were, however, being made within the economy and these were to have a profound influence later on. These changes were mainly of an import substitution kind as the economy found itself forced by the exigencies of war to provide many of the products that it had hitherto imported. Many agricultural products had been shipped abroad to be processed and then were imported back into the economy. The possibility of setting up processing plants was looked into and the first great concerted effort towards this type of industrialization was made during this time. Actually there was some form of this industrialization existent in Jamaica but this was on a relatively small scale. The Government took an active part in fostering this enterprise. The Department of Commerce and Industry was set up in 1943 and this actually operated some industries itself.¹⁴ Increases in this type of activity, however, did not play a major part in increasing the importance of the manufacturing sector during the war. Thorne holds that up to 1952:

The greater part of the increased contribution by manufacturing industries was accounted for by the increased production of old industries, especially the sugar-rum-molasses industry. The latter added nearly £3 million net to its 1938 contribution of less than £0.5 million (excluding sugar cane cultivation). Non alcoholic beverage manufacture, miscellaneous food and cigar manufactures were old industries that developed greatly. But the period also witnessed the establishment of a condensary, of textile, leather, garment and container manufactures, of canning, of 'prepared' cocoa processing, and of a number of minor secondary industries.

Individually, the new industries often did not add very much to net product, after deductions for their consumption of raw materials and so forth, which also often came from abroad. But together, they were directly responsible for £2.5 million of the £10.4 million by which the 1952 figure (£11.6 million) exceeded that for 1938 (£1.2 million).¹⁵

The importance of the expansion of the manufacturing sector during this time is that it did serve in reducing imports. This reduction might have been an involuntary one because the economy had little choice due to wartime restrictions

¹⁴Ibid., Footnote I, p. 201.

¹⁵Thorne, op. cit., p. 32.

and it is unlikely that these industries would have developed so rapidly otherwise. At the same time, however, these industries fostered greater domestic activity and laid the foundations for an economy of greater diversity than formerly.

The Consumer Boom 1945-1950

After the war the economy experienced a consumer boom which manifested itself in increased imports and higher levels of consumption. Import increases might have been due to a certain amount of forced savings in the economy as a result of war restrictions and also due to the increasing demands of consumers for luxury goods and articles cut off during the war. Exports also increased rapidly due to a reemergence of the banana industry after the war slump, the continued expansion of the sugar industry, and the revival of the tourist industry which can be treated as an export industry.

With the removal of war restrictions, the banana trade was resumed and great activity was expended in increasing production. The industry, however, never regained its former glory. It was plagued by a high incidence of panama disease, which necessitated extensive spraying of the banana fields thus increasing the cost of production, and a severe hurricane in 1948. By 1950, bananas accounted for only 20 per cent of the total value of exports. Movements were, however, afoot to rid the industry of its susceptibility to panama disease by the introduction of a new variety of banana, the Lacatan variety, which, after considerable research, was found to be immune to the disease. This variety was introduced after the war and by 1947 and 1948 small shipments were made but it was not until well into the 1950's that it completely replaced the old variety, the Gros Michel.

There was nothing exceptional taking place in the sugar industry. This continued expanding during the period as the bulk purchasing agreement made by the United Kingdom held. It was in the tourist industry, which was cut

off during the war, that considerable expansion took place as the industry profited from the post-war consumer boom in the United States. By 1948 this industry had reached its pre-war level with the number of visitors to the island being around 61,800. The industry was experiencing great changes as hotels and resort areas were built to cater for the tourist traffic. The pattern of this traffic had changed from a short-stay pattern to a long-stay one as more and more long-stay visitors came to the island.

In manufacturing, the pattern established during the war continued. I have already pointed out with the help of Thorne what this pattern was like. In the post war years government interest and encouragement to this sector deepened. Legislation encouraging hotel building, textiles and other pioneering industries were passed and every effort was made to encourage foreign investment into the economy. The success of such ventures was, to some extent, felt in the fifties.

C. The Economy from 1950-1960

In analysing the changes in the relative magnitudes of the economy during this period considerable use will be made of the data given in Jeanette Bethel's work on the Jamaican economy: "Some National Income Aggregates";¹⁶ and the Jamaican government economic survey reports for the years 1959 and 1960.¹⁷ Bethel's data on real and constant values are calculated up to 1953. Her base year, 1956, is not far from 1960 and this enables us to make fairly close approximations of the real value of G.D.P. for the years 1959 and 1960 which are not given in her work.¹⁸

¹⁶Jeanette Bethel, "Some National Income Aggregates", Social and Economic Studies, Vol. 10, No. 2, June 1961.

¹⁷Economic Survey Jamaica 1960, published by the Government of Jamaica, 1961.

Economic Survey Jamaica 1959, published by the Government of Jamaica, 1960.

¹⁸For our purposes we can realize that the 1959 and 1960 current G.D.P. value would be somewhat smaller in real values.

Changes in Principal Aggregates

TABLE 23

GROSS DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRIAL ORIGIN
(CURRENT VALUES: £ MILLION)

Industrial Group	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Agriculture, Forestry, Fishing. .	21.6	22.1	25.8	32.6	24.0	25.6	25.8	26.6	26.8	28.1	29.6
and											
Mining.				2.6	4.8	6.5	8.7	16.9	17.5	16.8	21.5
Manufacturing	7.9	9.2	11.6	14.7	16.8	18.3	20.7	24.4	24.9	27.3	29.4
Construction and Installation . .	5.3	8.9	10.3	10.4	10.5	12.9	20.1	26.1	24.5	23.5	26.1
Public Utilities.	0.3	0.8	0.9	0.7	0.9	1.0	1.2	1.8	1.9	2.2	2.3
Transportation, Communication											
and Storage.	5.0	5.3	5.6	7.0	8.3	9.5	10.5	12.3	12.8	13.5	14.9
Wholesale and Retail Distribution	10.6	13.0	15.5	18.3	20.0	22.9	25.7	31.9	33.3	35.4	39.5
Ownership of Dwellings.	4.1	4.3	4.6	5.2	5.7	6.0	6.2	6.4	6.6	6.9	7.3
Central and Local Government. . .	43.	5.6	6.0	6.9	7.5	9.0	11.3	12.4	13.1	14.6	15.6
Miscellaneous Services.			14.6	15.1	16.9	18.8	21.0	24.2	25.6	26.9	29.6
Banking, Insurance	10.5	12.4		3.1	4.3	5.1	7.4	9.0	11.7	12.6	14.3
and Real Estate.											
TOTAL	70.1	81.7	95.0	106.7	119.7	136.4	158.5	191.9	198.1	208.0	230.2

Sources: Bethel, Table 3, p. 137.

Economic Survey Jamaica 1960, p. 5. The data for the years 1951 to 1953 were not given. These were supplied from Bethel's Table 3.

TABLE 24

GROSS DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRY OF ORIGIN
AT CONSTANT PRICES: \$ MILLION

Industries	1950	1951	1952	1953	1954	1955	1956	1957	1958
Agriculture, Forestry, Fishing	20.8	20.4	20.5	23.6	25.3	26.5	25.7	26.4	26.3
Mining	0.2	0.3	1.3	2.9	5.9	6.9	8.7	11.5	15.2
Manufacturing	11.9	12.3	13.2	15.4	16.9	19.0	20.7	23.9	23.7
Construction and Installation	6.8	9.5	10.2	10.6	11.1	14.3	20.1	22.3	20.4
Public Utilities	0.7	0.8	0.9	0.9	1.0	1.1	1.2	1.4	1.5
Distribution	14.0	15.0	16.7	20.1	22.3	24.3	25.7	30.7	31.0
Transportation, Communication and Storage	7.6	7.5	7.5	8.2	8.7	9.8	10.6	12.4	12.3
Banking, Insurance and Real Estate . .	4.2	4.7	5.1	5.6	6.4	7.2	7.4	8.3	9.3
Ownership of Dwellings	4.9	5.0	5.2	5.4	5.7	6.0	6.2	6.2	6.1
Central Government	5.3	6.9	7.2	8.2	8.8	8.2	10.2	11.3	10.8
Local Government	0.7	0.7	0.7	0.8	0.9	1.0	1.0	1.3	1.6
Miscellaneous Services	10.8	12.3	14.0	15.4	17.4	19.2	20.9	22.5	23.5
TOTAL	87.9	95.5	102.5	117.2	130.5	143.5	158.5	178.3	182.0

Source: Bethel, Table 4, p. 138.

Tables 23 and 24 show the impressive rise in G.D.P. in both current and constant figures. G.D.P. in current values approximately tripled during the period. The rates of increase throughout the years are far more meaningful in real values. Bethel states:

The average annual rate of increase in the value of gross domestic product during the years 1950-1953 was approximately 15 per cent in terms of current prices and roughly 6.6 points at constant prices.¹⁹

This great increase in output is attributed to increased economic activity in the economy. This was due to the inflow of large foreign investment for the establishment of the plant and equipment for the bauxite industry²⁰ in 1951-1952 and also due to increased construction activity after a hurricane in 1951. In 1953, the first exports of bauxite were made and the rapid expansion of these exports and expansion in agricultural output and exports were responsible for an annual increase in G.D.P. of some 14 per cent from 1953 to 1956 in current prices. This was to a large extent a monetary illusion since in constant prices the average annual increase in the gross domestic product was only 11 per cent. The rate of growth slowed down in 1958.

The years 1957 and 1958 being exceptional for Jamaica, the one being a year of great prosperity, the other a depressed period, have been isolated for purposes of comparison. Here again the steep rise in the gross domestic product in current prices between 1956 and 1957 of 21 per cent, only 12 per cent represents a real increase in this aggregate. As one might expect, the fall off in economic activity in 1958 is reflected in the slower growth of the gross domestic product at both current and constant prices, the former being 25 per cent and the latter only 15 per cent of the 1956 total. It is also evident that the gap between the increase in gross domestic product at current and constant prices appears too narrow under depressed conditions and vice versa.

(4) over the entire eight year period the gross domestic product in

¹⁹Bethel, op. cit., p. 134.

²⁰The conditions responsible for the establishment of the bauxite industry will be discussed in section D.

constant prices would be approximately 9 per cent per annum compared with a rate of increase at current prices of 14 per cent per annum.²¹

During the recession foreign investment, which had reached an all time high in 1957, dropped off but picked up again by 1960. Between 1959 and 1960, the G.D.P. in current values increased by about 10 per cent in comparison to a 4.5 per cent increase between 1958-1959. In real values, the average annual rate of growth of the economy up to 1960 would be lower than Bethel's approximation of 9 per cent. A crude estimation places it in the vicinity of 7 per cent.²² All in all, the ten years under consideration have been the most dynamic decade of Jamaica's economic growth to date.

The Result of Changes in G.D.P. on Per-capita Incomes

The per capita income of Jamaicans, in current values, increased about two and a half times in ten years--from £50 in 1950 to £128 by 1960. In real values, the increase was probably two fold. Bethel says that from 1950 to 1958 it appears that:

While national income per head in money terms increased on the average since 1950 by approximately 10.8 per cent per annum the annual increase in real national income per head was of the order of 5.9 per cent.²³

Even the real figure is a substantial increase over any previous rate and this was realized despite great population increases. The population of Jamaica was 1.6 million in 1960, a 30 per cent increase since the 1943 census.

Structual Changes

From Table 24, it can be realized that comparatively great structural changes were realized in the economy. The primary sector experienced

²¹Bethel, op. cit., p. 134.

²²Taking the narrowing of the gap between current and constant prices during the depression as true and making allowances for price increases between 1959-1960, it is possible to average the real increase between 1958 and 1960 at an annual average of 6 per cent.

²³Ibid., p. 154.

considerable growth and this was due to the rapid rise of the mining sector after 1953 and not due to agriculture. Bethel states:

(5) As far as the individual industrial sectors are concerned, the declining trend in net output of the agricultural sector is a feature of both current and constant price estimates.²⁴

There was some increase in this sector though because in real values the sector increased from £20.8 million in 1950 to £26.3 million by 1958. The declining trend in its growth in comparison to the rate of increase of G.D.P. signifies the decreasing importance of agriculture in the economy. The fortune of the mining sector was extremely favourable throughout the period²⁵ and this can be realized by its real value rising from £0.2 million in 1950 to £15.2 million by 1958. The 1960 current value (Table 23) was £21.5 million.

The manufacturing sector also contributed an increasing share of output to G.D.P. doubling its contribution in real values in eight years from £11.9 million to £23.7 million (Table 24). In 1950 it was 11 per cent of G.D.P. and this had risen to 12.8 per cent by 1960. Bethel states that:

(6) In the manufacturing, and construction and installation sectors, it appears that over the period 1950-1958 only approximately 56 per cent of the average annual increase in the case of the former and 66 per cent in the case of the latter can be accounted a real increase. If for purposes of comparison we isolate the years 1953-1958, approximately 82 per cent of the average annual increase in output in the manufactured sector and 71 per cent in the construction and installation sectors represent a real increase.²⁶

An overall picture of the percentage changes in the contribution of some of these sectors is given in Table 25.

The primary sector had declined in importance from 31 per cent of G.D.P. in 1950 to about 22 per cent in 1960. Since 1957, this sector had remained relatively constant implying the growing importance of the other sectors of the economy during the period. Since the primary

²⁴Ibid., p. 134.

²⁵One exception being 1959 when the bauxite industry was affected by conditions in the aluminium industry abroad.

²⁶Ibid., p. 134.

sector is closely associated with exports the changes in the other sectors accentuate the growing importance of the domestic sectors within the economy.

TABLE 25
PERCENTAGE CONTRIBUTION OF G.D.P.

	1950	1957	1958	1959	1960
Agriculture. . . .		13.8	13.5	13.5	12.8
and	31.0				
Mining		8.8	8.8	8.1	9.3
Manufacturing. . .	11.0	12.7	12.5	13.1	12.8
Construction and Installation. .	8.0	13.6	12.3	11.3	11.4

Source: Thorne, Table 12, p. 62.

Agents of Change

During the ten years the trend which started during World War II of the increasing importance of private investment and government expenditure as agents of growth in the economy continued. Trade, despite its decrease in importance, still constituted the greatest agent of growth. We shall now deal with the respective agents of growth starting with trade.

International Trade

In current values, imports increased over three fold and exports nearly four fold during the period. This can be realized from Table 26. The persistent negative trade balance shown in the table does not give an idea of the balance-of-payments problems of the economy since invisible earnings (through tourism in particular) most probably amount to a substantial sum. For example the Jamaica tourist board estimated that tourist expenditure in the island amounted to about £13.5 million in 1960. It is said of this trade:

The tourist trade continues to make a major contribution to Jamaica's

economy through the earnings from abroad, especially from the dollar area, represented in expenditure by visitors, as well as in investment and in the provision of employment, both directly and indirectly.²⁷

TABLE 26

IMPORTS, EXPORTS AND VISIBLE TRADE BALANCE: 1950 - 1960

Year	Imports (c.i.f.)	Total Exports (f.o.b.)	Visible Trade Balance
1950	22.4	15.2	-7.2
1951	30.7	17.1	-13.6
1952	36.3	18.0	-18.3
1953	35.5	25.3	-10.2
1954	37.3	30.7	-6.6
1955	45.7	33.3	-12.4
1956	58.3	39.4	-18.9
1957	66.7	50.4	-66.3
1958	64.6	47.6	-17.0
1959	68.6	46.1	-22.5
1960	77.4	56.6	-20.8

Source: Economic Survey Jamaica 1960, p. 39.
Years 1951 to 1953 filled in from External Trade of Jamaica,
1959, Introduction.

Important aspects of the trade figures are the great increase in imports in 1951-52 due to the great amount of capital equipment imported for the bauxite industry. From 1953 onwards exports increased rapidly due to the exportation of bauxite and alumina. 1958-59 actually experienced a decline in the values of both imports and exports due to the recession in 1958. The results of all these movements in the trading sector on the growth rates of G.D.P. have already been analysed.

Some idea of the composition of imports and exports can be obtained from the Jamaica Governments data on these which embraces only the last four to five years of the period. We shall deal first with the composition of imports.

²⁷Economic Survey Jamaica 1960, p. 37.

TABLE 27
IMPORTS BY CLASSES OF GOODS, 1957-1960

S.I.T.C.* Sections		1957	1958	1959	1960
		(£'000)	(£'000)	(£'000)	(£'000)
0	Food.	11,500	13,272	14,649	14,569
1	Beverages and Tobacco	1,291	1,540	1,641	1,755
2	Crude Materials	2,662	2,223	2,657	2,787
3	Mineral Fuels, Lubricants, etc.	6,060	5,702	6,641	6,365
4	Animal and Vegetable Oils	512	637	736	550
5	Chemicals	4,810	5,240	5,780	6,154
6	Manufactured Goods.	19,141	16,259	16,264	19,635
7(1)	Machinery	8,003	6,091	6,129	7,140
7(2)	Electrical Machinery.	2,918	2,925	3,050	3,830
7(3)	Transport Equipment	4,884	5,034	5,122	7,541
8	Miscellaneous Manufactured Goods.	4,788	5,698	5,886	6,932
9	Miscellaneous Commodities	142	26	91	172
		66,711	64,647	68,646	77,430

*Standard International Trade Classification.

Source: Economic Survey Jamaica 1960, p. 40.

These figures speak for themselves. Manufacturing imports were the greatest in the economy, followed by machinery and equipment (7(1), 7(2) & 7(3) and then food for the four years under consideration. The Jamaica Government report states that:

The trend in imports through the past four years reflects the economic difficulties through which the island as well as other countries have been passing, and the marked improvement which has taken place here. After rising to very high levels up to 1951, imports began to decline in mid-1958. During 1959 there was a recovery and this became more evident in the first half of 1960. In the second half of 1960, imports continued at a rate above 1959 levels but the differences were less marked in the case of the first half of the year. ²⁸

²⁸Ibid., p. 39.

Now, a look at exports over a five year period.

TABLE 28

DOMESTIC EXPORTS: 1956-1960 (£ MILLION)

	1956	1957	1958	1959	1960
Total Domestic Exports	38.2	49.5	47.8	45.3	55.7
Domestic Exports excluding					
Bauxite	27.8	28.0	25.1	24.9	28.2
Bauxite and Alumina.	10.4	21.5	21.7	20.4	27.5
Sugar, Rum and Molasses.	14.3	14.3	12.1	13.4	14.4
Bananas.	6.1	6.8	5.0	4.9	4.7
Citrus, Cocoa, Coffee, Pimento, Ginger, including products. .	4.8	4.1	4.4	3.6	4.5
Other products	2.6	2.8	3.6	3.0	4.6

Source: Economic Survey Jamaica 1960, p. 41.

Exports of bauxite and alumina amounted to £28.2 million and were just over fifty per cent of total domestic exports in 1960. The value of sugar, its by-products, and bananas stood at £19.1 million or a little over one third of all exports. In 1950, their combined value was probably over three quarters of total exports of the economy.

In just ten years, the export-based sector of the economy had changed substantially. Agricultural exports no longer dominated the export sector and most of the agricultural exports most probably declined in real values in the last five years of the period.

Private Investment and Government Expenditure

Table 29 gives us an idea of the expanding role of Government Expenditure and Investment and Domestic Private Investment in the economy. Government consumption and expenditure rose from £9.1 million in real value to £18.2 in the eight years shown in the table. It probably rose also to 1960. Gross Domestic Fixed Capital Formation representing consumer and business savings and therefore investment, rose from £9.6 million in 1950 to a high of £48.2 million in 1957. From thence it decreased in 1958 and this decrease in

TABLE 29

EXPENDITURE ON THE GROSS DOMESTIC PRODUCT AT CONSTANT PRICES: £ MILLION

Items	1950	1951	1952	1953	1954	1955	1956	1957	1958
Personal Consumption Expenditure. . . .	86.5	85.3	89.3	97.5	108.6	121.5	131.3	142.1	143.8
General Government Consumption and Expenditure.	9.1	11.5	11.1	12.3	13.3	13.8	16.2	17.4	18.2
Gross Domestic Fixed Capital Formation.	9.6	16.6	18.4	28.1	32.7	33.4	38.8	48.2	46.4
Increase in Stocks.	1.3	0.5	0.9	1.2	1.6	3.3	2.8	4.7	3.5
Exports of Goods and Services	23.5	24.3	27.5	33.9	37.2	29.8	45.9	52.4	56.0
Expenditure on the Gross Domestic Product and Imports.	130.0	138.2	147.7	173.0	193.4	211.8	235.0	246.8	267.9
Less Imports of Goods and Services. . .	32.8	33.3	36.2	46.0	52.3	56.8	63.6	72.7	71.2
Expenditure on Gross Domestic Product .	97.2	104.9	111.5	127.0	141.0	155.0	171.4	192.1	196.7

Source: Bethel, Table 3, p. 137.

conjunction with a lower rate of growth of G.D.P. in 1958 and 1959 most probably declined further until 1960. Nevertheless between 1950 and 1960, more Domestic Private Capital become available and this was supplemented by large inflows of Foreign Private Capital especially from the United States and Canada. This capital was not confined to the bauxite industry but was invested in other new industries in the island. Some idea of the increasing importance of these industries and their diversity can be obtained from Table 30, showing exports of certain manufactured goods: 1957-1960.

TABLE 30

EXPORTS OF CERTAIN MANUFACTURED GOODS: 1957-1960

Commodity	1957	1958	1959	1960
	(£)	(£)	(£)	(£)
Cosmetics	44,000	51,000	52,000	47,000
Paper Bags, Cardboard Boxes, etc.	33,000	70,000	43,000	61,000
Textile Yarns and Fabrics . .	198,000	276,000	199,000	130,000
Buttons and Studs	11,000	33,000	32,000	48,000
Footwear.	29,000	44,000	122,000	167,000
Travel goods, handbags, etc..	19,000	44,000	84,000	71,000
Clothing.	100,000	194,000	325,000	991,000
Basketware.	35,000	13,000	22,000	14,000
Furniture and fixtures. . . .	33,000	47,000	40,000	52,000
Tin Cans.	123,000	188,000	125,000	233,000
Paint, Enamels and varnishes.	65,000	50,000	69,000	78,000
Glycerine	41,000	32,000	29,000	40,000
Portland Cement	11,000	15,000	19,000	96,000
TOTAL . .	742,000	1,057,000	1,161,000	2,028,000

Source: Economic Survey Jamaica 1960, p. 30.

In just three years, the export values of these commodities nearly tripled. The Jamaica Government did all it could to encourage new industries. The measures adopted will be discussed in the following section.

D. A Dynamic Decade: 1950 - 1960

During this period dynamic forces operative in the economy were responsible for many of the structural changes that took place in the economy. International trade was directly and indirectly responsible for many of them. The direct effects were due to capital increases resulting from exports and imports of capital intensive goods. The indirect effects which had been felt during the war and post-war years became more vigorous during this period. This can be realized by the more rapid expansion of the manufacturing sector than formerly as "residential" and new export industries established. The growth of the economy shall be discussed from these two aspects: the first pertains to changes in trade; the second to the expansion of the manufacturing sector and the role of government.

Changes in Trade

The two greatest changes in trade of the period were: (1) the decreasing relative importance of the traditional staples, sugar and bananas; and (2) the increasing importance of the new staple, bauxite. Of the two, the second is by far the more important because the bauxite industry introduced changes not only in the export sector and domestic sectors but was also mainly responsible for changes in the direction of Jamaica's overseas trade. Since the war and afterwards currency restrictions by the United Kingdom had reduced the trade in dollar goods and most of Jamaica's trade was with the United Kingdom particularly in respect to her imports--Jamaica was allowed to earn dollars by export but could not spend them. With the introduction of the bauxite industry the pattern

changed. The United Kingdom takes less than one third of Jamaica's exports, Canada takes 20 to 25 per cent and the United States 20 to 25 per cent. The United Kingdom also supplies less of Jamaica's imports whilst the United States supplies more. Trade liberalization with the United States was introduced in the 1950's. We can now discuss the two great changes in order and also treat with the continued expansion of the tourist industry which was a great earner of capital during the period.

The Declining Relative Importance of the Traditional Staples

Some idea of the relative decline in the importance of the old staples, sugar and bananas, has been realized from the data presented in section C. On the whole, the decade was more favourable to the sugar industry than the banana.

The banana industry never really recovered from the effects of its post-war difficulties. In 1951 the industry was struck again by a violent hurricane which did extensive damage to Jamaican agriculture in general and bananas in particular. The industry was never free from the spectre of disease. The Lacatan variety which completely replaced the Gros Michel was immune to panama disease but not the less prevalent leaf spot disease which was first recognized in Jamaica in 1936. Spraying had to be retained to combat this and with it the increased costs of production which resulted. Measures were advocated to bolster banana production such as: the introduction of the Lacatan; the setting up of a Banana Board, a semi-governmental institution, in 1953 which was the sole purchaser and exporter of bananas in the economy; the increasing of the United Kingdom's preferential import tariff on foreign producers from £2.10 per ton to £7.10 per ton.²⁹

²⁹D.J. Morgan, "Imperial Preference in the West Indies and in the British Caribbean 1929-1955: A Quantitative Analysis", The Economic Journal, Vol. LXXII, No. 285, March 1962, p. 126.

These measures did not stop the trend away from banana production as drought and soil fatigue made things difficult for the industry. By 1960, bananas accounted for only 7 per cent of total exports (Table 28) and this once important industry fell to minor proportions in the economy.

Sugar, on the other hand, fared well. In fact, had it not been for increased sugar exports in 1951, the total value of exports would have declined because of the state of the banana industry after the hurricane. As things were, exports increased slightly. These were, however, not responsible for the impressive growth of the economy despite the set back caused by the hurricane. This was due, as pointed out in section C, to increased economic activity in the domestic sector due to the heavy capital investments in the bauxite industry and also in construction after the hurricane.³⁰

In 1951, sugar production was bolstered by a new agreement, the Commonwealth Agreement, which was to last until 1963.

Under this agreement, which has been extended and now runs to 1965, the United Kingdom undertakes to buy a minimum quantity of sugar at an annually agreed price, which is designed to provide a reasonably remunerative price to an efficient producer. In return, Commonwealth producers agreed to restrict production for export to the United Kingdom and Canada to an agreed level and to join an International sugar agreement when one was negotiated, which happened two years after the Commonwealth Sugar Agreement.³¹

In 1951, sugar estates occupied about 200,000 acres, 62,700 of which were actually under cane. There were twenty sugar factories operating with a capacity of 350,000 tons (half of them were modern). The small farmer produced over a third and nearly half of the tonnage of total production annually.

³⁰Section C, p. 98.

³¹Morgan, op. cit.

Sugar production increased during the decade; the years 1958 and 1959 being exceptional as sugar exports declined due to the recession.

The Rise of the Bauxite Industry

Bauxite deposits had been known to exist in Jamaica since 1942,³² but due to conflicting geological reports, it was not until 1950 that three wholly owned companies of the Aluminium Company of America, Alumina Jamaica (now known as Alcan) a Canadian company, and two American companies, Reynolds Jamaica Mines Ltd. and Kaiser Bauxite, commenced building plants and equipment to exploit this resource which was in great world demand. Jamaica enjoyed a comparative advantage over its nearest and greatest competitor, British Guiana. Jamaican ores, though poorer in alumina content than Guianese ores, were more accessible and easier to mine. The greatest advantage was a locational one. Cumper says:

Transport from Jamaica is much simpler: processing plants and markets in North America (where Reynolds and Kaiser crude ore is processed) are closer, and the ore, mined only a few miles from the sea, is hauled by rail or ariel tramway directly to freighters built by the companies. In British Guiana, on the other hand, transport has been a problem from the start.³³

The impact of the bauxite industry on the economy was immediate as it was mainly responsible for the great increase in imports of capital goods and equipment and the heavy investments made in the economy in 1951-52. These investments came at an opportune moment when the island's exports were affected by the hurricane in 1951 and they helped the economy to sustain itself and actually experience great growth (section D. Changes in Principal Aggregates). In 1953, the first exports of bauxite were made and production

³²Mr. R.F. Innis, a senior chemist in the Agricultural Department reported that the alumina content of the red earth so abundant in Jamaica, might be sufficiently high for the extraction of aluminium. Independence Supplement, p. XIV.

³³G.E. Cumper, "Physical Resources", The Economy of the West Indies, ed. Cumper, Jamaica: United Printers Ltd., 1960, p. 67.

in that year amounted to 1,154,172 tons. By 1956, production in the original plants had increased to 2,141,688 tons and some of this was processed into 207,333 tons of alumina.³⁴ The processing was done exclusively by Alcan (the Canadian company) because the American companies processed the ore in the United States. By 1960, despite decreases in 1959 due to a slackening off of world demand as a result of the recession, Jamaica was the world's largest producer of bauxite; rising from 8.5 per cent of world's output in 1953 to 27.2 per cent in 1960.

The bauxite industry contributed more to Jamaica's economic performance in the 1950's than any other. By 1960, an estimated \$160 million had been invested in the economy by the three companies.³⁵ The industry was a source of great revenue for the government and for a small percentage of the labour force as the industry was highly automated and not a great employer of labour. During 1951-1952 when the plants were being built, 4,000 workers were employed but on their completion the labour force required to run the plants was less than this. R.L. Aronson reports on the effects of the industry on the economy in 1957. He says:

In 1957, the industry's product accounted for 44 per cent of the value of total domestic exports, about 5 per cent of gross private domestic product, and about 15 - 17 per cent of government revenue. Because of the capital-intensive nature of the industry, however, it is unlikely that the three companies employed more than 4,000 workers in all of their various operations in 1957-58, or considerably less than 1 per cent of employment in the private sector of the economy. Average weekly earnings of two and one half to three times the average of most other industries place bauxite and alumina workers well near the top of the island's wage structure.³⁶

³⁴1959 Report on Jamaica, London: Her Majesty's stationary office, 1962, TABLE I and II, pp. 288-289.

³⁵Jamaica Industrial Development Corporation publication, Opportunities for Industrial Investment in Jamaica. Pamphlet No. I.

³⁶R.L. Aronson, "Labour Commitment Among Jamaican Bauxite Workers", Social and Economic Studies, Vol. 10, No. 2, June, 1961, p. 161.

The Continued Expansion of Tourism

The tourist industry continued its post war pattern of expansion during the decade. By 1960, it was the fourth most important sector in the economy having been surpassed only by agriculture, mining and manufacturing. This industry received considerable government support as government provided direct financial assistance and rendered further assistance in the provision of better roads and improved and extended water supplies in the hotel areas. Government financial assistance to the tourist board for promoting tourism during 1959 was £300,000.³⁷ The volume of tourist traffic had increased from its 1948 level of 61,800 visitors to 169,400 by 1958 and 227,000 by 1960. This considerable traffic was accompanied by an expansion and re-location of tourist accomodation which resulted in the remarkable growth of the hotel industry during the period as the number of hotels doubled in fifteen years. In 1956-57 the Department of Statistics estimated that the total expenditure made by visitors from December 1956 to November 1957 amounted to \$15 million (U.S.A.).³⁸ By 1960, the Jamaican tourist board estimated the tourist revenue at about £13.5 million or over \$34 million (U.S.A.).³⁹

The Expansion of Manufacturing and the Role of Government

The rise of new industry, apart from the processing of sugar and rum, has been a characteristic of the economy since World War II. There has been a change, however, in the pattern of industrialization during the decade under consideration. The war and post war pattern was set by companies processing local raw materials for the domestic market--the "residential" type

³⁷1959 Report on Jamaica, p. 272.

³⁸Cumper, "Tourist Expenditure in Jamaica", Social and Economic Studies, Vol. 8, No. 3, September 1959.

³⁹"Tourism: Jamaica has only scratched the surface", Gleaner Independence Supplement, Kingston, Jamaica, August 6, 1962., p. xx.

industrialization which is an import substitution measure. The new industrial pattern that emerged in the 1950's was the establishment of industries which utilized imported as well as local raw materials to turn out products not only for the domestic market but for export.

The government of Jamaica has played an important role in fostering the establishment of industries in the island by encouraging foreign investors. In 1952, the Jamaican Industrial Development Corporation (I.D.C.) was set up "for the purpose of facilitating and stimulating the development of industry".⁴⁰ It was an autonomous statutory corporation whose members were appointed from the top ranks of industry, trade, finance and administration. In 1953 the Ministry of Trade and Industry was established to work in close collaboration with the I.D.C. and was responsible for co-ordinating governmental activities for the promotion of industrial development.⁴¹ Besides this, incentive legislation was enacted granting concessions to industries by way of exemption from customs duty, tonnage tax and income tax. Since during the 1940's, such legislation was enacted under: the Hotel Aid Law of 1944; the Textile Industry (Encouragement) Law, 1948; the Motion Picture Industry (Encouragement) Law, 1948; and the Pioneer Industries (Encouragement) Law, 1949.⁴² In the 1950's some of these laws were amended and new ones enacted. These were:

The International Business Companies (exemption from income tax) Law, 1956, Law 36 of 1956.

The Pioneer Industries (Encouragement) Law, Cap. 294, as amended by Law 42 of 1956.

⁴⁰I.D.C. Information Pamphlet, No. I.

⁴¹1959 Report on Jamaica, p. 261.

⁴²I.D.C. Information Pamphlet, No. 3.

The Industrial Incentives Law, 1956, Law 45 of 1956.

The Export Industry Encouragement Law, Law 49 of 1956.

The Income Tax Law, 1954, Law 59 of 1954, as amended by Law 7 of 1956, Law 29 of 1951, and Law 42 of 1958.

The Hotels Aid (Amendment) Law, 1956, Law 63 of 1956.⁴³

These serve to give an idea of the extent of legislation passed by the government to encourage industrialization and there is little doubt, in light of the interest shown by foreign investors in the economy of late, that these incentives made a definite contribution. The government hoped that these new industries would provide greater employment and alleviate the unemployment problem but there is little evidence to suggest that this was the primary consideration. Government's attitude seems to have been to encourage industrialization and increased output before tackling the unemployment problem. This aspect will be discussed further in the following paragraph on the economic development phases for the economy.

The government was also responsible for a series of development plans for the economy since 1947. Austin Peck points out that there are two sets of forces, which exert opposing pulls, which are dominant in influencing economic policy in Jamaica. These are: (1) the rapid rate of population growth and the problem of unemployment; and (2) the desire of Jamaicans for a higher standard of living.⁴⁴ Of the two, the second seemed to be the stronger force. Peck reports:

The goal of raising existing low levels of income has formed part of public policy in Jamaica for some time, especially since the close of the second world war. A Ten Year Plan of Development for Jamaica was presented to the public in 1947, a revision of the plan was made in 1951, and just

⁴³1959 Report of Jamaica., p. 262.

⁴⁴H. Austin Peck, "Economic Planning in Jamaica: A critique", Social and Economic Studies, Vol. 7, No. 4, December, 1958., p. 141.

recently a second National Plan for Jamaica, covering the years 1957-1967, has been formulated. In these documents government's approach to economic development is presented in considerable detail. Much legislation has been passed in the interest of stimulating economic development, numerous survey teams have visited the island to study or advise on various phases of the economy, and other actions have been taken to encourage economic advance.⁴⁵

The measures advocated were: improvements in agriculture; increased education; promoting industrialization by legislation; and the encouragement of tourism. Most of these measures affected the export sector. In the plans, there is a definite distinction between agriculture and industrialization for the home market and for export. For export, the plans point out that efficiency and the consequent ability to meet world competition must be the objective even if it involves a certain amount of disemployment.⁴⁶ Home market concerns, on the other hand, were looked upon as measures for curbing the unemployment problem. In other words, the export sector was to concentrate on increasing production; the domestic sector was to concentrate on providing as much employment as possible.

It can be concluded that the decade (1950-1960) was a significant one for the Jamaican economy. The salient features were that the economy displayed signs of relying less on its export sector. This sector was subject to less instability than before because it had ceased being entirely agricultural and because of greater diversification. This latter point serves as an indication of the greater diversification in the economy as a whole as manufacturing expanded. The continuance of this trend is important for the future.

There are many obstacles for the economy to surmount which are due

⁴⁵Ibid., p. 145.

⁴⁶Ibid., p. 150.

mainly to the continued dominance of primary exports and increasing population pressures. Primary exports are too unreliable and Jamaica should endeavour to expand its more stable manufactured exports. Perhaps the greatest problem the economy has to face is a general expansion of economic activity which would provide employment opportunities for its rapidly growing labour force and higher standards of living. This is not an easy task.

PART III

CONCLUSION: AN ANALYSIS OF JAMAICA'S GROWTH
WITH REFERENCE TO THE THEORETICAL
IMPLICATIONS DEVELOPED IN PART I

CHAPTER 5

THE ROLE OF TRADE: A FINAL ANALYSIS

Every society is to some extent a prisoner of its past. Jamaica entered the twentieth century with an assortment of ideas derived from the first half of the nineteenth century. Catching up has been a costly process.¹

W. Arthur Lewis

In this, my final chapter, Jamaica's economic growth since emancipation is analysed in respect to the role of exports; whether or not the export-based growth of the economy conformed to the model by D.C. North which I introduced in Chapter 1. There, I stated that this model imbibes most of the theoretical implications of trade and growth that were developed in that chapter. The model is based on the staple theory and this was the reason why I concentrated on Jamaica's staple exports throughout this study.

Professor W. Arthur Lewis made a cursory examination of Jamaica's economic growth from 1870 - 1930's and his analysis concentrates on reasons why Jamaica's growth was not greater during this period.² Lewis's arguments will be discussed and later in the chapter a comparison between his arguments and North's export-based theory will be made as regards their pertinency to Jamaica's experience.

This chapter is divided into 4 main sections: section A deals with the economy from emancipation to 1870; section B with the economy from 1870 - 1930's; section C with the economy from World War II to 1960; and section D is a general conclusion.

¹Eisner, op. cit., p. xxiii.

²Ibid., pp. xv-xxiii.

A. From Emancipation to 1870

During this period the basic criterion of the model, i.e. the reliance of the economy on its export sector was present. The economy experienced contraction and later growth. This contraction was due to decreased exports up to 1850 which resulted in a fall of G.D.P. From 1850, expanding exports resulted in the rise of G.D.P. from its low in the 1850's past its pre-emancipation value of 1870 (Table 2). These two distinct movements will now be discussed.

The contraction of exports up to 1850 was due to emancipation and the Sugar Duties Act of 1846. The effects of both these movements on the economy have already been described in chapters two and three. The first great impact of emancipation was that it resulted in the decline of sugar, the staple export, and with it a decline in the value of exports. Such a decline, according to the export-based theory would result in the decay of the economy and it did in Jamaica.

For growth, the export-based theory as a normative theory implies that the total value of exports should always increase. For this, a fall in one staple should be compensated for by an increase in another staple. Up to 1850, this was not the case in Jamaica because no staple export rose to take sugar's place. Efforts were made by both local and foreign interest in the 1840's to establish new exports but these failed.

The Sugar Duties Act of 1846 exacerbated the state of the sugar industry as it introduced new influences. First of all, sugar was now fully exposed to world competition at an inopportune time. Capital was extremely scarce in the economy; the little capital was caught up in the sugar industry in a desperate effort to introduce innovations to increase productivity. Foreign capital was not available partly because of the fate of sugar and because of the failure of earlier ventures to introduce new exports into the economy after emancipation.

From the 1850's to 1870, however, the worst fears of the sugar industry were not realized as sugar production ceased to decline. Sugar retained its place as the main staple of the economy and its production increased. Other exports of the economy increased also with the result that the total value of exports rose and resulted in some growth for the economy between 1850 and 1870.³

The whole period (1830's - 1870), as far as the model is concerned, is a disappointing one. This is due to the fact that the two basic requirements of the model for growth were not met. The export sector experienced little growth as a decrease in the staple export, sugar, was not accompanied by an increase in other staples. Neither did the export sector exert any dynamic influences on other sectors through its "demonstration effect". This effect was not felt because of the state of the export sector. This sector produced little capital that could have been reinvested elsewhere in the economy. I think it reasonable to assume that sugar estate owners would have invested in new concerns, probably in new exports, if they had the necessary capital due to the depressing state of the sugar industry. Little capital could have been obtained outside this sector. Though population increase had been small this did not result in increasing per capita incomes which would have increased savings (Table 15). Neither, for reasons given, was foreign capital available. The failure of the export sector to realize any substantial growth and the failure of this sector to influence the domestic sectors are the two most restrictive features on Jamaica's economic growth for the period.

B. From 1870 to 1930's

From 1870 to the 1930's, the economy experienced a very poor rate of growth. Lewis says the performance of the economy was unimpressive.

The average annual increase in production per head was 0.2 per cent from 1870 to 1890, 0.5 per cent from 1890 to 1910, and 0.7 per cent from 1910 to 1930 (Table LVI). That there was progressive improvement is good.

³Ibid., p. xvi.

The low rate between 1870 and 1890 was to some extent due to the slump in the sugar industry. However, the later rates, while better than India's or Egypt were low in comparison with Japan's or Western Europe.⁴

This poor performance was due to the inability of trade to influence the other sectors of the economy throughout the period. Changes had been made in the trading sector due to the growth of the banana industry which became another staple, but little changes were realized in the other sectors. The banana industry was responsible for increased exports during the period as the blight of the sugar industry, mainly falling prices and increased competition, did not immediately befall this industry. In chapter three it was realized that banana exports rose considerably throughout this period with the exception of the war years. This industry, because it proved a profitable concern, was able to induce some capital for its development mainly from domestic sources and some from abroad⁵ and did much to improve the state of the export sector. This sector, however, did not acquire sufficient capital for this to overspill in any quantity into the domestic sector and in this respect trade failed to exert any great growth in the economy as a whole.

Trade however is not entirely to blame; the fault lies with the people of Jamaica who displayed little entrepreneurial skills and were more or less tradition bound and conservative. One of the pathetic features of under-developed peoples is their inability to realize and grasp the economic opportunities available. It is often the case that people possessing more entrepreneurial ability or a greater amount of acquisitiveness do well under the same economic conditions. In Jamaica, this was the case with the Chinese and Jews who were able to improve themselves immensely whilst the locals seemed to have remained in a more or less static state. Changes therefore came slowly in the domestic sector.

⁴Eisner, op. cit., p. xvi.

⁵Chapter 3, p. 77.

Lewis gives the following reasons for the poor performance of the economy from 1870 onwards. He states:

Jamaica's problems can be approached by asking why, as agricultural opportunities failed to expand sufficiently, there was no more investment to bring land under cultivation, and failing this, greater expansion of employment in manufacturing industry and in the more remunerative services.⁶

The solutions have to be sought both on the side of demand and on the side of supply. On the demand side, Lewis states that Jamaica could easily have found a market for more agricultural products if more land had been brought under cultivation. Besides this, there was the failure of local demand for manufactures and services which Lewis attributes to adverse changes in the terms-of-trade for the greater part of the period and because of the failure of productivity to increase in the sector producing food for the home market. If the average food farmer had a larger income, he could have afforded to buy more manufactures and services. The very small increases in per capita incomes is therefore significant of the small increases in local demand during the period. Lewis holds that the Jamaican peasant proprietor was just not taught how to be productive. Another element in the slow rate of growth in the more remunerative services was the low level of taxation and the consequent poverty of public services.

Lewis points out, however, that we cannot explain the failure of employment to grow adequately in manufacturing industry and the more remunerative services simply by the failure of demand since there was considerable demand for manufactures which was met by imports. It is therefore necessary to look at supply.

On the supply side, there was not enough investment in the economy. This deficiency was partly private and partly public. Nor does the shortage of natural resources explain the failure to make adequate progress in

⁶Eisner, op. cit., p. xviii.

manufacturing industry. Jamaica was no less endowed with natural resources than say Japan which experienced a much greater rate of growth during the period. Lewis holds that no particular resource is required to manufacture light consumer goods such as textiles. Jamaica did not have cheap power but power is a very small element of the cost of production. The capital required for manufacturing could easily have been obtained from abroad and the skills could easily have been taught the labour force.

Lewis says that even though lack of skills is probably more relevant in the establishment of manufacturing industry this tends to be overemphasized. A factory worker can be taught the necessary skills. It is a deficiency of education at the higher levels, especially at the secondary school level, that imposes a large burden on the economy. Lewis points out that "society needs relatively few university graduates, and can import what it needs".⁷

The answer is presumably a failure of entrepreneurship. Lewis says:

If Jamaica had capitalists interested in developing local industries, they would have influenced the Government to build schools, to impose higher tariffs, to improve the public utilities, or whatever they felt to be the deficiency. These things did not happen because Jamaicans did not think in terms of developing industrial employment. The island had always lived off agricultural exports, and the speed with which the banana displaced sugar at the end of the century showed that its farmers, large and small, were still fairly quick at adjusting to changing opportunities in the export market. Production of manufactures for the home market is a different entrepreneurial skill. The island did not possess it, and would not develop it until after the Second World War.⁸

Lewis says that if this analysis is right Jamaica did not cope with her economic problems in the first half century before 1930 because the nationalistic Jamaican leaders of the day, preoccupied with their own political and social interests, did not try to cope with them. He says:

They failed especially at five points: to help the small farmers to be more productive; to invest public funds in opening up marginal lands for small settlers, by irrigation, drainage, and conservation; to provide

⁷Ibid., p. xxii.

⁸Ibid., p. xxii.

enough secondary education; to raise taxes for social services; and to take steps required for producing consumer manufactures.⁹

Lewis's analysis serves to give us a clearer insight into the problems faced by the economy; the difficulties associated with the expansion of the domestic sector; and the chronic lack of entrepreneurship. Lewis brings out an interesting point which pertains to the "demonstration effect" of the trading sector when he differentiates between two different kinds of entrepreneurial skills, one for the agricultural export sector and another for manufacturing. This accentuates the difficulty of an agricultural export sector influencing sectors other than agricultural in the economy. Apparently if there were some manufacturing in the export sector it would have been a simpler matter for this to affect manufacturing in the domestic sector.

C. World War II to 1960

In chapter four it was pointed out that during this period the rate of increase in real value of G.D.P. rose from 4 per cent in 1943-1950 to 7 per cent in 1950-1960. The war and its effects were responsible for the growth between 1943-1950, not exports. Exports, particularly bauxite exports, played an important role in the increased rate of growth in 1950-1960. We shall now deal with both these periods from the point of view of whether Lewis's arguments or the export-based theory hold sway.

During the war, Lewis's arguments seem more relevant because government intervened in the economic affairs to an increasing degree. The first effect of the war was a fall in exports which resulted in a fall in G.D.P. in real values up to 1942 (Table 20). This conforms to the export-based theory on contraction of an economy due to a contraction of exports. From 1943 onwards, the theory was inoperative because although there was no great substantial increase in exports, G.D.P. in real value rose. This was due to the expansion

⁹Ibid.

of the domestic sector as a result of the establishment of residentiary manufacturing industries (an import substitution measure) which utilized local and agricultural products. Governments role in this was one of encouragement and active participation as, was pointed out in chapter four, government ran some industries itself. The capital required for these industries was obtained from domestic sources: government revenue (from customs duties, etc.); corporate business; and personal savings.

This pattern of development which was established during the war continued afterwards in the post war years which were characterized by increased market expectations due to rising population and rising incomes. Local demand for manufactured products rose during the consumer boom as Jamaicans strove for higher standards of living. The economy had at last provided a local market of considerable magnitude and this in turn attracted investment. Some of the qualities that Lewis listed that the economy had lacked for about a hundred years began to make their appearance at this time. The government was interested in developing the economy as it enacted legislation to encourage industrialization and drew up its first comprehensive development plan in 1947, which aimed at increasing productivity in the various sectors; there was the apparent rise of entrepreneurial skills as evidenced by the expansion of manufacturing; increasing productivity in agriculture;¹⁰ and a spirit and purpose for the economy that it had sadly lacked previously.

During the 1950's, the economy found itself conforming to the requirements of the export-based model because the initial spurt in the rate of growth

¹⁰Some evidence of this can be gained from the sugar industry in particular. Proudfoot says: Thus, in Jamaica, there was nearly three times as large an acreage under cane in 1950 as in 1939. It has been, in part, a result of more intensive cultivation, made possible by successful experiments in the raising of new varieties of cane. op. cit., p. 184.

came from the development of the bauxite industry for export. The staple theory, on which the model was based, assumed that rapid capital formation and per capita incomes depended jointly on strong foreign demand for resource based, mass producible commodities and upon technological improvements making such production feasible.¹¹ The development of the bauxite industry conforms to this. Here was a natural resource available in large quantities which was in great international demand. The only set back was that the industry required a large initial investment for its establishment which was beyond the capacity of the domestic sector. Foreign companies were the only agencies capable of financing its development and three came forward because of the economic prospects and potentialities of this industry which were extremely good. As pointed out in chapter four, the impact of the industry was immediately felt because of the large inflow of foreign capital into the economy in 1951-52. The development of the industry affected other sectors in the economy such as construction and installation; transportation and communications; and other utilities. With the multiplier effect, albeit a multiplier made small by the large import content of the investment, in operation the large investment greatly increased economic activity in the island, increasing capital formation and raising per capita incomes during the period.¹² After the export of bauxite and alumina from 1953 onwards, the industry was responsible for an increasing percentage of the value of exports and rose by 1960 to nearly 50 per cent of all exports (Table 28).

The influence of the bauxite industry on the other sectors is indicative

¹¹Caves and Holton, op. cit., Ch. III.

¹²Cumper estimates that capital formation rose from 9 per cent in 1950 to 14 per cent by 1956 according to Deane's estimates. Source: Cumper, The Economy of the West Indies, p. 6.

of the "demonstration effect" as there is a connection between the growth of the export-base and the domestic economy; income and often population increase being induced by a broadening of the domestic market and the encouragement of domestic production to satisfy consumers. There is no doubt that rising per capita incomes during the decade were responsible for the greater development of domestic production.¹³ The development of residentiary industries, which had started during the war, continued but another feature was the establishment of new industries by foreign investors specifically for export. These latter industries were encouraged by government incentive legislation.¹⁴ Government also, as pointed out in chapter four, drew up development plans.¹⁵

With these considerations in mind, it can be seen that Jamaica's economic growth in the 1950's was intertwined with improvements in the export sector and the development of a new staple export, bauxite. This is proof enough that the economy conformed to the export-based theory but the role that government played cannot be treated lightly.

In the following section an analysis will be made of Lewis's and North's approach to economic development with reference to Jamaica's experience.

¹³Chapter 4, p. 99.

¹⁴The following were declared approved export products under the Export Industry Encouragement Law, 1956, Law 49 of 1956.

- (1) Frozen Fresh Coconut Meat
- (2) Woven Products
- (3) Outer Garments
- (4) Baseballs and Softballs
- (5) Baseball Gloves and Mitts
- (6) Typewriters and Typewriter Carrying Cases
- (7) Trousers
- (8) Citric Acid
- (9) Costume Jewelry
- (10) Textile Printing Rollers
- (11) Parquet Floor and Patio Tiles
- (12) Radio Receiving Sets
- (13) Mosaic and Glazed Tiles

Source: 1959 Report on Jamaica, p. 265.

¹⁵op. cit., Chapter 4, p. 114.

C. Conclusion

Certain comparisons can be made between North and Lewis's arguments for the economic growth of Jamaica. Lewis's arguments emphasize the role of government as an agent of growth. He regards growth as a result of active policy and explains the poor rate of Jamaica's growth from 1870 to 1930's by saying that government policies were lacking in important directions. North, on the other hand, attributes growth to exports; regarding it as a passive response to changes in export markets. As a prescriptive measure, North would presumably advocate to any development body, say the government, measures to increase exports. Lewis, on the other hand, would advocate active policies on the part of government which would affect the factors of production in the economy. Both these arguments have some validity in light of Jamaica's experience from the 1830's to 1960.

North's arguments are more relevant to Jamaica from the 1830's to the 1930's. Lewis admits that active policies for development on the part of government were sadly lacking. The little growth there was can be attributed to the increases that were experienced in the export sector. World War II, the post war years and the 1950's present a different story. North admits that government policy is important for growth but mainly through the instrumentality of exports. He says that "the role of the state and federal government in creating social overhead benefits has created new exports in many regions".¹⁶ The general impression that North creates is that growth in the export sector comes first; other activity such as governmental and private follow after. Against Lewis, North would argue that it is not government which starts the process of growth but exports. Once this process has been started, then government can step in and play an active role.

¹⁶North, op. cit., p. 255.

Lewis's arguments seem more relevant to the economy during World War II when government was responsible for instituting changes in the economy such as the expansion of the domestic sector in face of falling exports. The pattern of growth, therefore, did not originate with exports but as a result of active government policies during the war. In the post war years up to 1950, this pattern continued though exports increased.

In the decade of the 1950's, North's arguments seem to hold sway over Lewis's. This was due to the setting up of a new export industry, bauxite. It is unlikely that government policies could have been responsible for the economy's growth after such a set back as the hurricane of 1951. The growth rate of the 1950's can be attributed to the bauxite industry and the combined effects of increased government activity and private investment which this industry, directly or indirectly, made possible.

Lewis's argument as a prescription for growth is superior to North's because it is far more versatile. Government activity can affect every sector of the economy whereas exports cannot. Government can institute changes in exports, in the domestic sectors and services. Exports can only affect these indirectly through its "demonstration effects". A shortcoming of this effect is that it is not too dependable and in fact depends on the profitability of the export sector. This sector is not always a very profitable concern especially for primary producers and it definitely cannot be regarded as profitable in Jamaica for over one hundred years. Lewis's arguments too have their shortcomings. The major one is that government policies require capital. This is not always available in large quantities from domestic sources and foreign capital is attracted only after the economy has achieved a certain state of development (basic services provided, etc.). In an economy like Jamaica's, government revenue is often a dependent variable of exports and imports. In short, Lewis's main shortcoming stems from his

little emphasis on exports in an economy greatly dependent on exports whilst North's shortcoming stems from his over emphasis of the role of exports. Nevertheless, export earnings imposes an upper limit on the growth rate even in Lewis's reference for reasons I have pointed out previously. But this ceiling is higher than North's arguments allow since the role of factors other than exports have to some extent been played down.

As a descriptive theory, North's model, except for exceptional cases such as world wars, was satisfactory for the Jamaican economy during the period covered by this thesis.

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